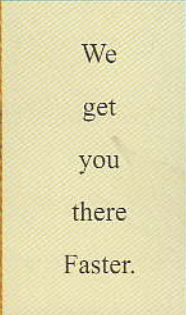




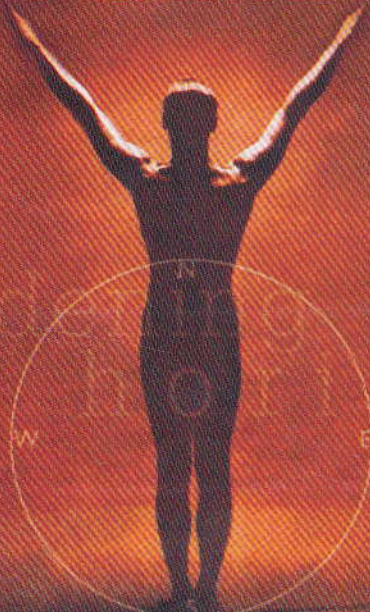
# 13th Annual Report 2010-2011



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Faster.



## SOUTHERN ONLINE BIO TECHNOLOGIES LTD



*Smart Solutions and Eco Friendly*



ISP Division - Hyderabad



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

- Board of Directors** : **Mr. Y. Anand Swaroop** Chairman  
**Mr. N.Satish Kumar** Managing Director  
**Mr. B.H.R. Balaji** Executive Director  
**Mr. K.Radha Krishna** Director - Finance  
**Mr. B.Sreedhara Reddy** Director - Admin.  
**Mr. K.Tejesh Kumar** Director  
**Ms. T. Rohini Reddy** Director  
**Mr. C. Raveendra Kumar** Director  
**Mr. Kishor Shah** Director  
**Mr. Christian A Schmidt** Director
- Company Secretary** : **Ms G Anupama**
- Regd. Office** : 3A, 3rd Floor, Samrat Complex,  
 Saifabad, Hyderabad-04  
 Tel: (040) 2324 1999  
 Fax: (040) 2324 1444  
 Website: www.sol.net.in  
 Email: info@sol.net.in
- Auditors** : **M/s. P. Murali & Co.,**  
 Chartered Accountants  
 6-3-655/2/3, Somajiguda  
 Hyderabad - 500 082
- Registrars & Share  
 Transfer Agents** : **M/s. Aarathi Consultants Pvt. Ltd.**  
 1-2-285, Domalguda, Hyderabad-29.  
 Tel: (040) 27642217 / 27638111  
 Fax: (040) 27632184  
 Email: info@aarthiconsultants.com
- Bankers** : **Bank of India** **UCO Bank**  
 Banjara Hills Branch Hindustan Shipyard Colony,  
 Chandra Apts, Road No.7, Gandhigram,  
 Hyderabad - 500 034. Visakhapatnam 530 005

**State Bank of Hyderabad**  
 Overseas Branch  
 6-3-652, "KAUTILYA"  
 Somajiguda, Sanath Nagar,  
 Hyderabad - 500 082

**Punjab National Bank**  
 Deccan Chambers, Opp Allwyn  
 Erragadda, Sanath Nagar,  
 Hyderabad-500018  
 Hyderabad - 500 082

## NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Thursday the 29th September 2011 at 11.30 am at Dream Valley, Srinagar, Gandipet, Hyderabad 500 075 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2011 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr K Tejesh Kumar, who retires by rotation and being eligible, offers himself for re appointment.
3. To appoint a Director in place of Ms T Rohini Reddy who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint M/s.P.Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS:

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

#### Re-appointment of Mr N Satish Kumar as Managing Director

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

#### I. Salary

Rs.2,00,000/- (Rupees Two lakhs only) per month

#### II. Commission

1% of the amount of Net Profit before taxes (but after charging all expenses including depreciation and managerial compensation) as appearing in the Audited Annual Accounts for each Financial Year of the Company, unless otherwise decided by the Board for any financial Year, subject however, that the total remuneration (i.e., salary, perquisites and commission) in any one financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force.

#### III. Perquisites

Perquisites as follow will be paid and / or provided in addition to salary, subject however that the amount of perquisites, if taxable as per Income Tax Act, 1961, shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act, 1956, as applicable from time to time.

#### Part – A

##### a] Medical Reimbursement

Reimbursement of medical expenses actually incurred for self and family including dependent mother and father, subject to a ceiling of one month's salary per year or 3 months' salary in a block of 3 years.

##### b] Leave Travel Concession

For self and family including dependent father and mother, to and from any place in India, once in a year in accordance with the rules of the Company.

c] Club Fees

Fees of Club subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid.

**Part – B**

a] Provident Fund

Company's contribution to Provident Fund as per the scheme of the Company.

b] Pension / Superannuation Fund

Company's contribution to Pension / Superannuation Fund in accordance with the scheme of the Company.

c] Gratuity

As per the rules of the Company, payable in accordance with the approved fund at a rate not exceeding one- half month's salary for each completed year of service.

**Part – C**

a] Car

Use of Company's car with driver for business purposes.

b] Telephone

Free Telephone / Communication facilities at residence for business purposes.

**IV. Other Benefits**

Leave

On full pay and allowances as per rules of the Company, but not more than one month's leave for every 11 months of service. Leave not availed of shall be allowed to be encashed at the end of the tenure and the same will not be included in the computation of the ceiling on perquisites.

**V. Overall Remuneration**

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies

Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

**VI. Minimum Remuneration**

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or enactment thereof, as may be for the time being in force.

**VII. Three month's notice shall be required on either side for termination of services.**

On behalf of the Board

Place : Hyderabad

**N. Satish Kumar**

Date : 10.08.2011

Managing Director

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THERE AT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.

3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is herewith annexed.
4. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Wednesday 21st September 2011 to Saturday 24th September 2011 (both days inclusive).
5. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. Members holding shares in physical form are requested to notify / send any change in their address/e-mail id to the Company's Share Transfer Agents, or to the Company at its registered office.
7. Members holding shares in dematerialisation form are requested to notify/send any change in their address/e-mail id to the concerned depository participant(s).
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, shareholders willing to avail this facility may make nomination in form 2B.
10. Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with copies of Annual Reports to the Annual General Meeting.
11. At the ensuing Annual General Meeting, Mr K Tejesh Kumar and Ms T Rohini

Reddy retire by rotation and being eligible offered themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of each of these directors is given below:

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

On behalf of the Board

Place : Hyderabad

**N. Satish Kumar**

Date : 10.08.2011

Managing Director

## EXPLANATORY STATEMENT

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

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

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

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

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

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

He does not hold any committee Memberships in any company.

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

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

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

On behalf of the Board

Place : Hyderabad

**N. Satish Kumar**

Date : 10.08.2011

Managing Director

## DIRECTORS' REPORT

Dear Members,

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

### Financial Results

The highlights of the financial results for the year under review along with the comparative figures for the previous year are as follows:

(Rs. in Lakhs)

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

### Review and Prospects

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

### The Company's Products / Services

The Company has been providing a wide spectrum of services, which includes basic services like Internet access, E-mail etc. and value added services such as Add on hours. The Company presently provides Internet Services as a Licensed ISP. The Company's services include the following:

- Dial up Services
- Web Hosting
- Server Co-Location

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

### Biodiesel Units

Your Company has two Biodiesel Units

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

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

### Plant at Vizag

Though Company has started the commercial



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

#### **Plant at Tondiarpet, Chennai.**

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

#### **Preferential Allotment**

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

#### **Directors**

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

#### **Corporate Governance**

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

#### **Directors' Responsibility Statement**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i. In the preparation of the annual accounts for the year ended 31st March, 2011, the applicable accounting standards have been followed and there are no material departures.
- ii. We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2011 and of the profit of the company for the financial year ended 31st March 2011.
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv. We have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

#### Auditors

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

#### Fixed Deposits

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

#### Employee Particulars

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Additional Information as Required U/S 217(1) (e) of The Companies Act, 1956

#### (a) Conservation of Energy:

Company's ISP operations and administration requires electrical energy for computer systems, air conditioning and lighting, which are not energy intensive. Whereas the Biodiesel plant requires huge electrical energy for operations of the Biodiesel production unit. During the current financial year the Company has undertaken significant measures to reduce the energy consumption by using energy-efficient machines and equipment. The Company also undertakes evaluation of latest technology and invests in making its infrastructure more energy efficient.

#### (b) Research and Development and Technology Absorption:

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

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

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

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

#### Stock Exchanges

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

#### Acknowledgements

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

On behalf of the Board

**N. Satish Kumar**  
 Managing Director

**K. Radha Krishna**  
 Director -Finance

Place : **Hyderabad**

Date : 10.08.2011

## REPORT ON CORPORATE GOVERNANCE

### 1. *Company's philosophy on Corporate Governance*

SBT is committed to doing business in an efficient, responsible, honest and ethical manner. The Company's Corporate Governance philosophy stems from the belief that timely disclosures, transparent accounting policies and independent Board go a long way in preserving shareholders trust while maximizing long term corporate value. Good Corporate Governance goes beyond compliance and involves a company wide commitment. This commitment starts with Board of Directors which executes its corporate governance responsibilities by focusing on the company's strategic and operational excellence in the best interest of all our stakeholders in particular shareholders, employees and our customers in a balance fashions with long term benefits to all.

SBT is committed to continually evolving and adopting appropriate corporate governance best practices.

### 2. *Board of Directors*

#### A. **Composition**

- a. The Company has 10 Directors with a Non Executive Chairman on its Board. Out of ten (10) Directors, two (2) are Non-Executive Directors including Chairman, and four (4) are Independent Directors and four (4) are executive Directors including Managing Director. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- b. None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2011.
- c. The names and categories of Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies are given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Composition and category of Directors on the Board for the year 2010-11 are given below:

Name of the Director	Category	Number of Directorships in other Companies	Number of Board Committee memberships held in other Companies
N. Satish Kumar	Promoter & Managing Director	1	NIL
K.Radha Krishna	Promoter & Director Finance	1	NIL
B. Sreedhara Reddy	Promoter & Admn. Director	1	NIL
B.H.R. Balaji	Promoter & Executive Director	1	NIL
K. Tejesh Kumar	Promoter & Non Executive Director	3	1
Y. Anand Swaroop	Independent Director	NIL	NIL
T. Rohini Reddy	Independent Director	NIL	NIL
C. Raveendra Kumar	Independent Director	NIL	NIL
Kishor Shah	Independent Director	5	7
Christian A Schmidt	Non Executive Director	NIL	NIL

- d. Pecuniary relationship or transactions of Non-Executive Directors vis-à-vis the Company. None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company.
- e. During the Financial Year 2010-11 the Board of Directors met 8 times on the following dates: 05.04.2010, 26.04.2010, 28.05.2010, 10.08.2010, 19.08.2010, 10.11.2010, 10.02.2011 and 26.02.2011
- f. The time gap between any two Board Meetings did not exceed four months. Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 30th September, 2010.

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
N. Satish Kumar	8	Yes
K.Radha Krishna	6	Yes
B. Sreedhara Reddy	8	Yes
B.H.R. Balaji	6	Yes
K. Tejesh Kumar	5	Yes
Y. Anand Swaroop	7	Yes
T. Rohini Reddy	7	No
C. Raveendra Kumar	-	No
Kishor Shah	-	No
Christian A Schmidt	1	No

### Board's Procedure

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

### 3. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

#### Certificate of Code of Conduct for the year 2010-11

Southern Online Bio Technologies Ltd. (SBT) is committed for conducting its business in accordance with the applicable laws, rules and regulations with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all directors, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2010-11.

Place : Hyderabad

Date : 10.08.2010

(Sd/-)

**N. Satish Kumar**

Managing Director

#### 4. Audit Committee

- I) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- II) The terms of reference of the Audit Committee include a review of;
- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
  - Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
  - Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
  - Reviewing with management the annual financial statements before submission to the Board, focusing on:
    - i Any changes in accounting policies and practices;
    - ii Qualification in draft audit report;
    - iii Significant adjustments arising out of audit;
    - iv The going concern concept;
    - v Compliance with accounting standards;
    - vi Compliance with stock exchange and legal requirements concerning financial statements;
    - vii. Any related party transactions
  - Reviewing the company's financial and risk management's policies.
  - Disclosure of contingent liabilities.
  - Reviewing with management, external and internal auditors, the adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors of any significant findings and follow-up thereon.
  - Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 30th September 2010 and Mr.Y.Anand Swaroop, Chairman of the Audit Committee, attended previous AGM.
- IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

## Composition

The Company has constituted an Audit Committee comprising of the following three Non-Executive Independent Directors.

S.No	Name of the Director	Designation	Nature of Directorship
1	T Rohini Reddy*	Chairperson	Non-Executive & Independent Director
2	Y Anand Swaroop	Member	Non-Executive & Independent Director
3	C. Raveendra Kumar	Member	Non-Executive & Independent Director

\* Ms T Rohini Reddy was appointed as Chairperson of Audit Committee w.e.f 10th February 2011.

V) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 28.05.2010, 10.08.2010, 10.11.2010, 10.02.11.

The necessary quorum was present at all the meetings.

Attendance during the year 2010-11:

Name	Number of meetings held during the year	Number of meetings attended during the year
T. Rohini Reddy	4	4
Y.Anand Swaroop	4	4
C Raveendra Kumar	4	Nil

## Subsidiary Company

### Southern Biofe Biofuels Pvt. Ltd (SBBF)

SBBF is a wholly owned subsidiary of the Company. SBBF was incorporated on 08/05/2002 with an authorized share capital of Rs.34,40,000/-. SBBF initially focused on the establishment and production of biodiesel, the activity of which has been taken over by Southern Online Bio Technologies Ltd. The Company has no operations in the last financial year.

The Audit committee of the Company also reviews the financial statements of the subsidiary Company. The minutes of the Board Meetings of subsidiary company are placed at the Board Meetings of SBT Ltd and reviewed in detail. The Directors Report, Auditors' Report, Balance Sheet and Notes forming part of the Accounts have been given elsewhere in this report.

### CEO/CFO Certification

The Board has recognized Managing Director of the Company as CEO and the Director- Finance as the CFO for the limited purpose of Compliance under the Listing Agreement. The CEO and CFO have certified, in terms of revised clause 49 of the listing agreement, to the Board that the financial statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards, internal control and disclosures.

### 5. Remuneration Committee

The Company has constituted Remuneration Committee to decide, fix the remuneration payable to the Managing / Whole time Directors of the Company.

However, the remuneration of the Managing / Whole time Director is subject to approval of the Board, and of the Company in the General Meeting and such approvals as may be necessary. The remuneration structure of Managing / Whole time Director comprises of salary only.

## A. Composition

The Remuneration Committee consists of the following Directors:

S.No	Name of the Director	Designation	Nature of Directorship
1	T.Rohini Reddy	Chairperson	Non-Executive & Independent Director
2	Y. Anand Swaroop	Member	Non-Executive & Independent Director
3	Kishor Shah	Member	Non-Executive & Independent Director

## B. Brief description of terms of reference

The Remuneration Committee shall function in accordance with the terms of reference made by the Board of Directors, which are given as follows:

1. To fix the remuneration packages of Executive Directors i.e., Managing Director, Whole time Directors, etc.,
2. To decide on the elements of remuneration package of all the Directors i.e., salary, benefits, bonuses, stock options, pension etc."

The Non-executive Directors are paid sitting fees for attending the Board & Committee meetings. The Remuneration Committee met one time on 30.05.2011.

The details of the salary and commission paid / payable for the Financial Year ended 31st March, 2011 to the Managing / Whole time Director are as under:

Name of the Director	Designation	Salary per annum (Rs. in Lakhs)	Commission
N. Satish Kumar	Managing Director	19.20	NIL
K. Radha Krishna	Director Finance	12.00	NIL
B. Sreedhara Reddy	Director Admin.	12.00	NIL
B H R Balaji	Executive Director	12.00	NIL

The Company does not have any stock option scheme to the Whole-time Directors. The appointments are made in accordance with the terms and conditions specified in the respective resolutions passed by members in the General Meetings, which do not provide for severance fees.

## 6. Investors' Grievance Committee

### A. Composition

Your Company has constituted an Investors' Grievance Committee consisting of the following Directors:

S.No	Name of the Director	Designation	Nature of Directorship
1	T. Rohini Reddy	Chairperson	Non-Executive & Independent Director
2	C. Raveendra Kumar	Member	Non-Executive & Independent Director
3	Y. Anand Swaroop	Member	Non-Executive & Independent Director

### B. Powers

The Committee has been delegated with the following powers:

- to redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

- to approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- Consolidate and sub-division of share certificates etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc., received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

During the period under review, Twelve (12) share transfers and two (2) complaints were received from the shareholders, all of them have been transferred / resolved and there are no pending Share Transfers / Complaints as on date of this report.

## 7. General Body Meetings

Financial year	Date	Time	Venue	Resolutions Passed
12th AGM 2009-10	30.09.2010	11.30 AM	Dream Valley Srinagar, Gandipet, Hyderabad-500 075	<ol style="list-style-type: none"> <li>1. Appointment of Mr BHR Balaji as Executive Director.</li> <li>2. Appointment of Mr K Radha Krishna as Director - Finance.</li> <li>3. Appointment of Mr B Sreedhara Reddy as Director - Admin.</li> <li>4. Voluntary delisting of Securities from Bangalore Stock Exchange Limited.</li> </ol>
11th AGM 2008-09	30.09.2009	11.30 AM	Dream Valley Srinagar, Gandipet, Hyderabad-500 075	<ol style="list-style-type: none"> <li>1. Mr Kishor Shah appointed as Director of the Company</li> <li>2. Mr Christian A Schmidt appointed as Director of the Company</li> </ol>
10th AGM 2007-08	25.09.2008	11.30 AM	Dream Valley Srinagar, Gandipet, Hyderabad-500 075	<ol style="list-style-type: none"> <li>1. Increase in Remuneration of Mr. N Satish Kumar</li> <li>2. Increase in Remuneration of Mr BHR Balaji</li> <li>3. Increase in Remuneration of Mr K Radha Krishna</li> <li>4. Increase in Remuneration of Mr B Sreedhara Reddy</li> <li>5. Issue of Equity shares and convertible warrants to non promoters.</li> </ol>

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement as given in an annexure to the Director's Report.



## 8. Disclosures

- The Company has not entered into any transaction of material nature with related parties i.e., Directors, Management, their relatives conflicting with the Company's interest.

- **Details of non-compliance**

There has been no non-compliance of any legal requirements nor have been any strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

- **Whistle Blower policy**

We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the Company. The mechanism provided direct access to the Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the Company. The Whistle Blower Policy has been posted on the Intranet of the Company.

- **Compliance with non-mandatory requirements of clause 49 of the listing agreement**

The Company has complied with the non-mandatory requirements relating to remuneration committee and Whistle Blower policy to the extent detailed above and has not complied with other non-mandatory requirements.

- **Utilization of proceeds of Preferential Issue**

The Company has raised Rs.40.43 crores through the Preferential Issues which has been utilized to setup the second Biodiesel unit in APIIC SEZ at Vizag, Andhra Pradesh with a capacity of 250 tons per day.

- **Management Discussion and Analysis**

A detailed section on 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement forms part of this Annual Report.

## 9. Means of Communication

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same and these results will also be published in prominent daily newspapers, viz. Business Standard and Andhra Prabha. These financial statements, press releases are also posted on the Company's website, at [www.sol.net.in](http://www.sol.net.in). As the financial performance of the Company is well published, individual communication of half yearly results are not sent to the shareholders.

The Management Discussion and Analysis Report forms part of the annual report, which is posted to the shareholders of the Company.

## 10. General Shareholder Information:

The following information would be useful to the shareholders:

a) Thirteenth Annual General Meeting

Date and Time : 29.09.2011, at 11.30 A.M

Venue : Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075.

b) Financial Calendar 2011-12 (Tentative Schedule)

For the Quarter ended 30th June, 2011, the Company has already declared the Unaudited Financial Results on August 10, 2011.

Adoption of Quarterly results for the Quarter ending

30th September, 2010	1st/2nd Week of November, 2010
• 30th September, 2011	: 1st/2nd Week of November, 2011
• 31st December, 2011	: 1st/2nd Week of February, 2011
• 31st March, 2012	: on or before 15th May 2012
• Annual General Meeting (Next year)	: August / September, 2012
c) Book Closure Date	
21st September, 2011 to 24th September, 2011 (both days inclusive)	
d) Listing on Stock Exchanges	: Bombay Stock Exchange Ltd
e) Stock Code	
• Stock Code / Symbol	: BSE : 532669 / SBTL
• Demat ISIN number in NSDL & CDSL	: INE 371B01015

**Electronic Connectivity**

**National Securities Depository Limited**

Trade World, Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel  
Mumbai – 400 013

**Central Depository Services (India) Limited**

Phiroze Jeejeebhoy Towers, 28th Floor  
Dalal Street, Mumbai – 400 023

**f) Stock Market Data**

The monthly high / low prices of shares of the Company from April, 2010 to March, 2011 at Bombay Stock Exchange :

Scrip Code: 532669 Company Name: SOUTHBIOTEC For the period: April 2010 to March 2011

Date	High (Rs.)	Low (Rs.)	No. of Shares
April 2010	33.05	27.85	2597925
May 2010	30.30	26.45	359762
June 2010	28.30	25.95	289010
July 2010	27.70	24.00	421318
August 2010	25.05	22.15	345583
September 2010	27.50	22.35	2015586
October 2010	26.05	22.70	662830
November 2010	24.35	17.50	525681
December 2010	21.20	16.25	495389
January 2011	20.95	15.80	298747
February 2011	16.00	13.00	460531
March 2011	13.36	11.07	707019

**g) Registrars and Transfer Agents**

Aarathi Consultants Pvt. Ltd.  
 1-2-285, Domalguda, Hyderabad- 500 029.  
 Tel: (040) 27642217/27638111  
 Fax: (040) 27632184  
 Email: info@aarthicconsultants.com

**h) Share Transfer System**

SEBI has vide its circular dated 27-12-2002, directed that all work relating to share registry, both physical and demat should be maintained at a single point. Accordingly, the Share Transfers, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s. Aarathi Consultants Private Limited, Domalguda, Hyderabad. The requests received for transfer of shares in physical form are generally completed within the stipulated time.

### 11. (A) Shareholding pattern as on 31.03.2011

Category of Shareholder	Number of Share holders	Total Number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)1	As a % of (A+B+C)	Number of Shares	As a %
Shareholding of Promoter and Promoter Group							
Indian							
Individuals/Hindu Undivided Family	11	6049479	6048479	17.48	17.48	0	0
Central Government/State Government(s)	0	0	0	0	0	0	0
Bodies Corporate	0	0	0	0	0	0	0
Financial Institutions/Banks	0	0	0	0	0	0	0
Others :-							
Mutual Funds	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0
Sub Total (A)(1)	11	6049479	6048479	17.48	17.48	0	0
Foreign							
Individuals (Non Resident Individuals/Foreign Individuals)	0	0	0	0	0	0	0
Bodies Corporate	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0
Others :-							
Overseas Corporate Bodies	0	0	0	0	0	0	0
Sub Total (A)(2)	0	0	0	0	0	0	0
Total Shareholding of Promoter and Promoter Group							
(A)=(A)(1)+(A)(2)	11	6049479	6048479	17.48	17.48	0	0
Public Shareholding							
Institutions							
Mutual Funds/UTI	0	0	0	0	0	0	0
Financial Institutions/Banks	0	0	0	0	0	0	0
Central Government/State Government(s)	0	0	0	0	0	0	0

Venture Capital Funds	0	0	0	0	0	0	0
Insurance Companies	0	0	0	0	0	0	0
Foreign Institutional Investors	5	5053775	5053775	14.60	14.60	0	0
Foreign Venture Capital Investors	0	0	0	0	0	0	0
Others :-							
Foreign Companies	0	0	0	0	0	0	0
Sub Total (B)(1)	5	5053775	5053775	14.60	14.60	0	0
Non-Institutions							
Bodies Corporate	282	8407741	8360695	24.29	24.29	0	0
Individuals							
i)Individual shareholders holding nominal share capital upto Rs.1 lakh	9445	6752295	6420156	19.51	19.51	0	0
ii)Individual shareholders holding nominal share capital in excess of Rs.1 lakh	155	6449609	6326009	18.63	18.63	0	0
Any Others :-							
i)Non Resident Individuals	79	1880413	1809113	5.43	5.43	0	0
ii)Overseas Corporate Bodies	1	10000	0	0.03	0.03	0	0
iii)Trusts	1	1100	1100	0	0	0	0
iv)Employees	0	0	0	0	0	0	0
v)Clearing Members	10	10503	10503	0.03	0.03	0	0
vi)Foreign Nationals	0	0	0	0	0	0	0
Sub Total (B)(2)	9972	23510561	22926476	67.92	67.92	0	0
Total Public Shareholding (B)=(B)(1)+(B)(2)	9977	28564336	27980251	82.52	82.52	0	0
Total (A)+(B)	9988	34613815	34028730	100	100	0	0
Shares held by Custodians and against Depository Receipts have been issued	0	0	0	0	0	0	0
Grand Total (A)+(B)+(C)	9988	34613815	34028730	100	100	0	0

**B. Distribution of Shareholding as on 31.03.2011**

Range (Rs)	No. of Shareholders	% of Total Shareholders	Shares Amount Shares Amount	% of Total
1 - 5000	7200	72.00	18131290	5.24
5001 - 10000	1202	12.00	10621660	3.07
10001 - 20000	619	6.00	10148290	2.93
20001 - 30000	272	3.00	7137910	2.06
30001 - 40000	117	1.00	4265010	1.23
40001 - 50000	140	2.00	6807250	1.97
50001 - 100000	213	2.00	16317640	4.71
100001 and above	225	2.00	272709100	78.79
<b>Total</b>	<b>9988</b>	<b>100.00</b>	<b>346138150</b>	<b>100.00</b>

**12. Dematerialisation of Shares and Liquidity**

Trading in Company's shares is permitted only in dematerialised form for all investors. The ISIN allotted to the Company's scrip is INE 371B01015. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Over 98.31% of the Company's shares up to 31st March 2011 are now held in electronic form. Shares of the Company are actively traded in Bombay Stock Exchange, and hence have good liquidity. The list of depository participants is available with the National Securities Depository Limited (NSDL) at [www.nsdl.co.in](http://www.nsdl.co.in).

Particulars	No. of Shares	% Share Capital
NSDL	2,62,07,878	75.71
CDSL	78,20,852	22.60
PHYSICAL	5,85,085	1.69
<b>Total</b>	<b>3,46,13,815</b>	<b>100.00</b>

**13. Address for Correspondence**

Registered office : Flat No. A3, 3rd Floor, Office Block, Samrat Complex, Saifabad, Hyderabad-500 004.

R & T Agent : **Aarathi Consultants Pvt. Ltd.**  
1-2-285, Domalguda, Hyderabad- 500 029.  
Tel: (040) 27642217/27638111  
Fax: (040) 27632184  
Email: [info@aarathiconsultants.com](mailto:info@aarathiconsultants.com)

On behalf of the Board

Place: Hyderabad  
Date: 10.08.2011

**N. Satish Kumar**  
Managing Director

**K. Radha Krishna**  
Director -Finance

## 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

#### i. Industry Structure and Development:

Internet users in the world -distribution by world regions for the year 2011.

Asia - 44.0%, Europe – 22.70%, North America – 13.0%, Latin America – 10.3%, Africa – 5.7%, Middle East – 3.3%, Australia - 1% .

Estimated internet users for the year 2011 in the world 2,095,006,005

Estimated internet users for the year 2011 in Asia – 922,329,554

Internet users as on December 2010 in India – 100,000,000.

The above figures are as per Internet world Statistics.

India continues to be one of the fastest growing major telecom in the world. Sweeping reforms introduced by successive Indian governments over the last decade have dramatically changed the nature of communication in the country.

Despite the considerable popular interest in internet in India the ISP market has been in disarray. According to the Telecom regulatory there were around 180 operational ISPs in the country, after a period of market rationalization. Despite the large number of providers, 10% of the ISPs have 90% of the subscribers. The state owned BSNL and MTNL have grown rapidly to hold first and second place in terms of subscribers. The growing popularity of cybercafes has been playing a big role in fueling internet development in India. India appears to have embraced the internet with a degree of ambivalence. There is a tremendous enthusiasm among the dial up users and an estimated 60% of users regularly access the internet via more than 10,000 cybercafes. But when it comes to a high speed broad band access there is

reluctance especially with in corporate sector and take up rate has been slow. Internet penetration is raising appreciably in the country. Urban India which accounts for about 28% of the total population has witnessed the bulk of this growth, with students, youth as well as office goers being the primary drivers. Rural India on the other hand lags behind.

According to Internet and mobile association of India, a trade association representing the online content and advertising, Indian go online for a number of activities including e-mail (98%), job search (51%), Banking (32%), Bill payment (18%), stock trading (15%) and matrimonial search (15%).

#### Opportunities

The internet is and will even more rapidly become the corporate communication medium in the coming years. Arguments can be made for the advantages and disadvantages of the internet. But most will agree that internet is a bonus for technology. Rather it is the understanding the risks and the implications of pursuing the use of this type of technology to work when working for achieving strategic goals. Once the security problems are handled the costs are streamlined and the searching algorithm are perfected, the possibilities are endless.

The company is entering into the business of providing internet services to individual customers and cyber cafes.

#### Threats

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

#### Outlook for the industry

The internet is allowing a greater flexibility in working hours and locations especially with the spread of unmetered high speed connections and web applications. The internet can now be accessed almost any where by numerous means especially through mobile internet devices.

Mobile phones, data cards, cellular routers allow users to connect to the internet from any where. The low cost and nearly instantaneous sharing of ideas, knowledge and skills have made collaborate work dramatically easier with the help of collaborative software. Internet significantly facilitates the process of development of nations and its citizens in all respects, be it economic, social or cultures.

## B. BIODIESEL Division

The global market for Biodiesel is entering a period of rapid transitional growth, creating both uncertainty and opportunity. A fundamental transition in global fuel production is now happening. In the year 2007 there were only 20 oil producing nations supplying the needs of over 200 nations. By the year 2010, more than 200 nations became biodiesel producing nations and suppliers.

India is the 6th largest and one of the fastest growing energy consumers in the world with a rapidly growing economy raising population and an expanding number of middle class consumers. Due to limited crude oil reserves, India meets about 72% of its crude oil and petroleum products requirement through imports, which are expected to expand further in coming years. In the last 3 years, India's oil imports nearly doubled due to escalation in global oil prices. Given the escalation in global oil prices and continued growth in consumption of petroleum products. The consequent burgeoning expenditure on oil imports is of serious concern to the Government of India. The Government is looking at ways to limit to raise oil imports by promoting use of Biofuels.

Biodiesel is a safe alternative fuel to replace traditional petroleum diesel. It has highly lubricity, is a clean burning fuel and can be fuel component for use in existing unmodified diesel engines. Biodiesel acts like petroleum diesel but produces less air pollution, comes from renewable sources, is biodegradable and

is safer for environment. Producing Biodiesels fuels can help local economic revitalization and local environmental benefits. Many groups interested in promoting the use of Bio Diesel already exist at the local, state and national level.

Biofuels more specifically biodiesel is a collective effort by various members of the value chain landless laborers, farmers, general traders, oil millers, refiners, oil manufacturing companies, end users and the state agencies which will have to play their vital role. It is globally acknowledged that practically all Governments and economies where grappling with economic meltdown which has compelled us to have to long term national solutions for creating lively lead opportunities as also reduced green house gas emissions with assured energy security.

## Opportunities

- Biodiesel is a bio degradable, non-toxic, easy to use and free of sulphur, which would not damage our respiratory system once released in the atmosphere.
- It acts as a substitute for the fast depleting fossil fuels (mineral oils) as it is renewable source of energy.
- It helps explore waste lands by planting jatropah. Jatropah incentives in India is a part of India's goal to achieve energy independence by the year 2012. The Government of India has identified 4 lakh sq.km (98 Million acres) of land where jatropah can be grown, hoping it will replace 20% India's Diesel consumption by 2011.
- Reduces unemployment and hence generate bread winners.
- Having carbon credit value.
- The life of diesel engine is extended with the use of Biodiesel because it is more lubricating and additionally power output is comparatively unaltered by biodiesel.



- The recent increase in prices of edible oils which are used as raw material for Bio Diesel in western countries presents cutting edge to the company which has designed its plant for non edible oils and animal fat
- By using non edible oils as feed stock the company is far away from the growing criticism of diverting food for fuel upsetting the economies of various countries.

#### Threats

- Abundance of misleading information
- Costly input materials.
- Low support prices for seed.
- No sustainable procurement mechanism available in the market .
- Requirement of seed in large quantity even to fulfill demand of 5% blending with diesel.
- Government strategies towards biodiesel project or not implemented properly.

#### ii. Outlook for the Industry

Our country is in an enviable position to become a world leader in biofuel sector and there by ensuring a multi dimensional micro and macro benefits for the economy in the medium to long term. In the long run the growth of biofuel sector in our country will directly and positively impact our trade deficit by reducing oil imports and foreign exchange outflows while enhancing energy security. In addition the revenues from carbon credit to the industry earnings will further improve its viability. By 2020 India will become largest biodiesel processing, blending, consuming nation. Biodiesel will be viewed as an integral component of national energy security which will increasingly relies on clean indigenous renewable fuels.

#### Internal Control System and their Adequacy

The Company has adequate internal control systems and procedures in all operational areas and at all levels – equipments procurement, finance, administration, marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The internal audit function will be done by a firm of Chartered Accountants. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

#### Discussion on Financial Performance with respect to Operational Performance

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

#### Human Resource Development and Industrial Relations

The Company believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements.

Industrial relations during the year are cordial and the Company is committed to maintain the same in future.

## Auditors' Certificate on Compliance of Corporate Governance

To,  
The Members  
Southern Online Bio Technologies Ltd  
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by M/s. Southern Online Bio Technologies Ltd for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, we certify that the company has complied with the conditions of corporate Governance as stipulated in the Listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **P. Murali & Co.,**  
Chartered Accountants

Place: Hyderabad  
Date : 30.05.2011

**P. Murali Mohana Rao**  
Partner

## AUDITORS' REPORT

To  
The Members,  
Southern Online Bio-technologies Ltd,

We have audited the attached Balance Sheet of SOUTHERN ONLINE BIO-TECHNOLOGIES LTD as at 31st March, 2011 and also the Profit & Loss Account for the year ended on the date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditors Report) Order 2003 and as amended by the Companies (Auditor's Report)(Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit ;

- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- (iii) The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of account
- (iv) In our opinion, the Balance Sheet , Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2011 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956 ;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- (b) In the case of the Profit & Loss Account, of the Profit for the year ended on that date;
- And
- (c) In the case of the Cash Flow, of the cash flows for the year ended on that date;

For **P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
FRN: 007257S

Place : Hyderabad  
Date : 30.05.2011

**P. Murali Mohana Rao**  
Partner

## ANNEXURE TO THE AUDITORS' REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Inventory has not disposed off substantial part of the Fixed Assets during the year.
- II. (a) The Company has been physically verified during the year and in our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physically verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and as explained to us, no material discrepancies were noticed on physical verification of stocks as compared to book records.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (c) As no loans are granted by company the clause of receipt of interest & principal amount from parties is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lakh does not arise and the clause is not applicable.
- (e) The Company has not taken loans secured or unsecured from Companies, and other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (f) As the company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loan have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (g) As no loans are taken by the company, the clause of repayment of interest & principle amount to parties, is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of Inventory & fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. a) In our opinion according to the information and explanations given to us, since no contracts or arrangements referred to in section 301 of the

companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register u/s 301 of the companies act 1956 does not arise.

- b) According to the information and explanations given to us, as no such contracts or agreements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.

VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.

VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.

VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

- IX. a) The Company is regular in depositing statutory dues including PF, Income Tax, Sales Tax, Excise Duty, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.

- b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, Income Tax, Sales Tax, Excise Duty, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.

X. The Company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.

XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.

XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.

XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.

XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.

- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, the Term Loans were applied by the company for the purpose for which the loans were obtained.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and the price at which shares have been issued is not prejudicial to the interest of the Company.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year; hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For **P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS  
FRN: 007257S

Place : Hyderabad      **P. Murali Mohana Rao**  
Date : 30.05.2011      Partner

## Balance Sheet As at 31st March, 2011

Description	Schedule No.	As At 31.03.2011 (Rs.)	As At 31.03.2010 (Rs.)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
a. Share Capital	1	346,138,150	333,138,150
b. Equity Share Warrants			4,000,000
c. Reserves & Surplus	2	229,002,592	318,077,742
<b>2. Loan Funds :</b>			
a. Secured Loans	3	925,872,075	642,309,481
b. Unsecured Loans	4	494,984	494,984
<b>3. Deferred Income Tax Liability Provision</b>		58,985,545	21,961,444
<b>TOTAL :</b>		<b>1,560,493,347</b>	<b>1,319,981,801</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>	5		
a. Gross Block		1,381,571,409	356,585,456
b. Less : Depreciation		168,169,041	123,104,330
c. Net Block		1,213,402,368	233,481,126
d. Capital Work in Progress		-	608,376,859
<b>2. INVESTMENTS :</b>	6	3,430,970	3,430,970
<b>3. Current Assets, Loans and Advances :</b>			
a. Inventories	7	346,534,881	98,691,656
b. Sundry Debtors	8	105,756,869	112,912,492
c. Cash & Bank Balances	9	1,707,273	9,540,506
d. Loans , Advances & Deposits	10	128,944,999	296,475,653
		582,944,022	517,620,307
Less : Current Liabilities & Provisions :	11	278,356,128	80,317,753
Net Current Assets		304,587,894	437,302,554
<b>4. Miscellaneous Expenditure</b>	12	39,072,115	37,390,293
(to the extent not written off or adjusted)			
<b>TOTAL</b>		<b>1,560,493,347</b>	<b>1,319,981,801</b>
Notes forming part of Accounts	18		

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD.

For **P. Murali & Co.**

Chartered Accountants

**P. MURALI MOHANA RAO**

Partner

**N. SATISH KUMAR**

Managing Director

**B SREEDHARA REDDY**

Director

Place: Hyderabad

Date : 30.05.2011

**K. RADHA KRISHNA**

Director - Finance

**G. ANUPAMA**

Company Secretary

## Profit & Loss Account As on 31st March, 2011

Description	Schedule No.	Period ended 31.03.2011 (Rs.)	Period ended 31.03.2010 (Rs.)
<b>I. INCOME</b>			
Income from Sales		608,387,629	383,226,829
Other Income		440,611	473,951
Increase / Decrease in Stock		102,588,195	(1,054,537)
<b>TOTAL</b>		<b>711,416,435</b>	<b>382,646,242</b>
<b>II. EXPENDITURE</b>			
Manufacturing & Other Expenses	13	614,008,296	307,016,718
Personnel Cost	14	17,479,051	11,606,394
Administrative Expenses:	15	12,721,489	6,291,372
Financial Expenses	16	78,434,354	14,781,879
Marketing Expenses	17	11,456,066	4,710,016
<b>Sub Total</b>		<b>734,099,256</b>	<b>344,406,378</b>
<b>Operating Profit</b>		<b>(22,682,822)</b>	<b>38,239,864</b>
Depreciation		45,064,711	19,194,224
Miscellaneous expenditure written off		2,111,293	369,476
<b>Profit Before Tax</b>		<b>(69,858,826)</b>	<b>18,676,164</b>
Provision for Tax		-	3,413,121
Provision for Fringe Benefit Tax		-	-
<b>Profit After tax</b>		<b>(69,858,826)</b>	<b>15,263,043</b>
Deferred Income Tax Liability Provision		(37,024,101)	(7,177,855)
Prior Period Expenses		-	-
Profit after deferred tax liability provision		(106,882,927)	8,085,188
<b>Add : Profit Brought forwarded</b>		<b>35,107,326</b>	<b>27,022,138</b>
<b>Transitional Cumulative Provision for Deferred Income Tax Liability Provision</b>		-	-
<b>Profit Transferred to Balance Sheet</b>		<b>(71,775,601)</b>	<b>35,107,326</b>
<b>Earnings Per Share</b>		<b>-2.02</b>	<b>0.46</b>

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For P. Murali & Co.

Chartered Accountants

**P. MURALI MOHANA RAO**

Partner

**N. SATISH KUMAR**

Managing Director

**B SREEDHARA REDDY**

Director

Place: Hyderabad

Date : 30.05.2011

**K. RADHA KRISHNA**

Director - Finance

**G. ANUPAMA**

Company Secretary



### Schedules forming part of the Balance Sheet

Description	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
<b>1. Share Capital :</b>		
<b>Authorised :</b>		
7,50,00,000 Equity Shares of Rs.10/- each.	750,000,000	750,000,000
<b>Current Year</b>		
<b>a) Issued, Subscribed &amp; Paid-up :</b>		
33313815 Number of Equity Shares @ Rs. 10/- each (Previous Year)	333,138,150	-
Add: Warrants Converted in to Equity Shares. 13,00,000 number of Equity Shares @ Rs. 10/- each (Previous Year)	13,000,000	333,138,150
3,00,000 Share Warrants convertible to Equity Shares of Rs. 10/- each	3,000,000	
1,00,000 Share Warrants convertible to Equity Shares of Rs. 1/- each	1,000,000	4,000,000
<b>TOTAL :</b>	<b>346,138,150</b>	<b>337,138,150</b>
<b>2. Reserves &amp; Surplus :</b>		
Profit Brought Forward	46,037,242	37,952,054
Share Premium	253,187,500	238,877,500
Share warrants Forefeited 1,08,34,500 @ 1/-	10,834,500	
Share Premium On forefeited warrants.	22,328,500	
	33,163,000	33,163,000
<b>PROFIT FOR THE YEAR</b> (After Income Tax Provision and Deferred Income Tax)	<b>(106,882,927)</b>	<b>8,085,188</b>
VAT Subsidy Received	3,497,777	
<b>TOTAL :</b>	<b>229,002,592</b>	<b>318,077,742</b>

Description	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
<b>3. Secured Loans :</b>		
Bank of India, B Hills - Over Draft (Against Book Debts of ISP Division of the Company)	1,616,105	3,540,747
Bank of India, B Hills - Working Capital (Secured by Inventory of the Company)	190,332,194	47,987,917
Bank of India, SBH - Working Capital (Secured by Inventory of the Company)	131,837,173	-
Bank of India, UCO - Working Capital (Secured by Inventory of the Company)	43,633,244	-
Bank of India, PNB - Working Capital (Secured by Inventory of the Company)	21,467,037	-
Bank of India, B Hills - Loans for Flats (Against Hypothecation of Flats of the Company)	3,901,841	4,422,735
Bank of India, B Hills - Term Loan (Secured by Plant & Machinery of the Company)	274,657,105	306,443,768
Bank of India - Bolero Vehicle (Hypothecation of Vehicles of the Company)	375,318	600,212
SBH, Somajiguda - Term Loan (Secured by Plant & Machinery of the Company)	109,419,533	121,414,273
SBH - Vehicle (Hypothecation of Vehicles of the Company)	854,860	-
UCO Bank, Vizag - Term Loan (Secured by Plant & Machinery of the Company)	144,894,827	151,750,644
AXIS Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	151,756	715,405
AXIS Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	2,683,792	4,877,632
HDFC Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	47,290	556,148
<b>TOTAL :</b>	<b>925,872,075</b>	<b>642,309,482</b>
<b>4. Un Secured Loans :</b>		
a) Loans from Directors.	494,984	494,984
<b>TOTAL :</b>	<b>494,984</b>	<b>494,984</b>

### 5. Depreciation Statement

S.No.	ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 01.04.2010	Additions during the Year	Deductions during the Year	As at 31.03.2011	Up to 01.04.2010	For the Period	Deductions during the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
1	Land & Site Development	1,597,009	53,052,023	-	54,649,032	-	-	-	-	54,649,032	1,597,009
2	Building	33,254,168	135,573,133	-	168,827,301	2,614,945	3,483,089	6,098,034	6,098,034	162,729,267	30,639,224
3	EDP										
4	Equipments Plant & Machinery	84,803,291	2,725,742	-	87,529,034	80,788,611	3,525,761	84,314,372	84,314,372	3,214,662	4,014,680
5	Furniture and Fixtures	195,993,116	817,565,417	-	1,013,558,533	27,499,172	32,608,588	60,107,760	60,107,760	953,450,773	168,493,944
6	Technical Know How	4,152,066	1,344,496	-	5,496,562	1,167,515	308,955	1,476,470	1,476,470	4,020,093	2,984,552
7	Vehicles	7,896,908	-	-	7,896,908	4,297,990	1,579,382	5,877,372	5,877,372	2,019,536	3,598,918
8	Office Equipments	6,498,764	12,127,181	-	18,625,945	796,530	1,233,061	2,029,591	2,029,591	16,596,354	5,702,235
9	Cable Laying	1,665,975	893,962	-	2,559,937	696,002	107,262	803,264	803,264	1,756,672	969,973
10	CWIP	20,724,155	1,704,000	-	22,428,155	5,243,565	2,218,613	7,462,178	7,462,178	14,965,977	15,480,590
	TOTAL :	356,585,453	1,024,985,954	-	1,381,571,407	123,104,330	45,064,711	168,169,041	168,169,041	1,213,402,365	841,857,985
	Previous Year	515,753,741	449,817,782	589,208	964,962,315	104,042,144	19,194,224	123,104,330	123,104,330	841,857,985	411,765,271

Description	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
<b>6. Investments</b>		
(343097 No of Equity Shares each Rs.10/- Invested in M/s. Southern Biofe Biofuels Pvt. Ltd)	3,430,970	3,430,970
<b>TOTAL</b>	<b>3,430,970</b>	<b>3,430,970</b>
<b>7. Inventories</b>		
<b>A. Current Assets</b>		
a) Raw Materials	153,144,453	43,062,520
b) Work In Progress	7,185,084	2,738,753
c) Finished Goods	128,708,857	31,436,992
d) Consumables	57,496,488	21,453,391
<b>TOTAL</b>	<b>346,534,881</b>	<b>98691656</b>
<b>8. Sundry Debtors</b>		
(Un Secured considered Good )		
Debts outstanding for a period exceeding six months	66,037,319	75,537,226
Other Debts.	39,719,550	27,375,265
<b>TOTAL</b>	<b>105,756,869</b>	<b>102,912,491</b>
<b>9. Cash and Bank Balances</b>		
Cash on Hand	1,058,818	179,053
Balances with Scheduled Banks	648,455	9,351,240
With AP Grameena Vikas.	-	10,213
<b>TOTAL :</b>	<b>1,707,273</b>	<b>9,540,505</b>
<b>10. Loans, Advances &amp; Deposits</b>		
<b>A. Current Assets:</b>		
a) Pre-paid Expenses	3,046,372	2,951,872
b) Tax Deducted at Source.	1,403,217	2,773,378
c) Deposits	13,036,837	6,514,557
<b>B. Loans &amp; Advances</b>		
a) Advances for Capital Goods	-	277,814,029
b) Advances	108,781,608	2,341,628
c) Other Advances	2,676,966	4,080,190
<b>TOTAL :</b>	<b>128,945,000</b>	<b>296,475,654</b>

Description	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
<b>11. Current Liabilities &amp; Provisions</b>		
Sundry Creditors for Capital Goods	229,409,330	26,512,828
Sundry Creditors for Expenses	38,417,732	42,200,157
Advances received from Customers	-	2,455,348
Outstanding Liabilities	-	-
- Provision for Income Tax.	-	2,722,970
- Provision for Fringe Benefit Tax.	-	-
- Provision for Sales Tax.	-	599,969
- Provision for Service Tax.	2,254,312	2,182,803
- Provision for Excise Duty	-	-
- Provision for Expenditure	8,274,753	3,643,678
<b>TOTAL :</b>	<b>278,356,128</b>	<b>80,317,753</b>
<b>12. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)		
a) Preliminary / Issue Expenses	37,335,081	64,979,244
Add : Incurred During the year	3,793,114	-
Less: Written Off During the year	2,056,080	-
Less: Preoperative expenses capitalized	-	-
Less: Transferred to CWIP Assets	-	27,644,163
	39,127,327	37,335,081
b) Deferred Revenue Expenses.	55,212	424,688
Add: Additions During the year	-	-
Less: Written Off During the year	55,212	369,476
	-	55,212
<b>TOTAL :</b>	<b>39,072,115</b>	<b>37,390,293</b>
<b>13. Manufacturing &amp; Other Operating Expenses</b>		
Consumables	40,944,427	16,388,857
Consumption of Raw Material	498,276,934	231,791,734
Power and Fuel	26,928,500	14,589,092
Wages	11,889,400	3,869,311
Other Manufacturing Expenses	8,374,687	9,982,397
Bandwidth	14,892,888	28,931,732
Cabel Rental	178,836	517,636
Transport Charges Raw materials	8,128,739	-
Cable Laying Expenses	222,300	611,819
Repairs and Maintenance	1,648,832	-
Customs duty	2,339,224	-
Preior Period Adjustment	-	-
Licencing Fee	183,529	334,140
<b>TOTAL :</b>	<b>614,008,296</b>	<b>307,016,718</b>

Description	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)
<b>14. Personnel Cost</b>		
Salaries - Staff	9,114,154	6,717,469
Salaries - Directors	5,520,000	3,611,004
Staff Welfare	2,844,897	1,277,921
<b>TOTAL :</b>	<b>17,479,051</b>	<b>11,606,394</b>
<b>15. Administrative Expenses</b>		
Audit Fee	75,870	75,870
AGM & Board Meeting Expenses	61,753	253,391
Electrical Charges	43,244	39,831
Office Maintenance	445,047	161,131
General Expenses	594,086	179,650
Insurance	206,152	751,819
Membership, Books & Periodicals	26,160	62,135
Consultancy Charges	176,590	191,358
Printing & Stationery	255,596	105,633
Postage & Telegrams	52,556	16,965
Rent, Rates & Taxes	4,573,172	1,328,393
Secretarial Expenses	152,258	4,556
Security Expenses	926,204	485,309
Telephone, Mobile & Pager Expenses	1,285,338	1,226,271
Traveling & Conveyance Expenses	3,802,230	1,251,894
Loss on Sale of Fixed Assets	45,233	157,167
<b>TOTAL :</b>	<b>12,721,489</b>	<b>6,291,372</b>
<b>16. Financial Expenses</b>		
Bank Charges	1,102,839	518,206
Interest on Term Loan	45,749,064	6,907,837
Interest on Over Draft	30,654,347	7,029,377
Interest on Secured Loans	928,104	326,459
<b>TOTAL :</b>	<b>78,434,354</b>	<b>14,781,879</b>
<b>17. Marketing Expenses</b>		
Advertisements Expenses	66,330	22,871
Collection Expenses	228,000	186,500
Commissions & Discounts	4,452,157	2,602,466
Freight charges	6,521,377	1,254,220
Business Promotion Expenses	188,202	642,785
Donations	-	1,175
<b>TOTAL :</b>	<b>11,456,066</b>	<b>4,710,017</b>

## SCHEDULE- 18

Significant Accounting Policies and Notes to the accounts for the year ended 31st March 2011.

### 1. Significant Accounting Policies

#### 1.1 Preparation of financial statements

The financial statements have been prepared under the historical cost convention, in accordance with generally accepted accounting principles in India.

#### 1.2 Method of Accounting

The Company follows the accrual system of accounting and recognizes income and expenditure on accrual basis.

#### 1.3 Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes freight, duties and taxes and other expenses related to acquisition and installation. Pre-operative expense incurred during the construction period capitalized.

#### 1.4 Investments

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Long-term investments in subsidiary is carried at cost. Provisions are made to recognize any permanent decline in the carrying value of each investment.

#### 1.5 Inventories

Raw materials, work in progress and finished goods are valued at the lower of the cost or net realizable value. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their present location and condition.

#### 1.6 Revenue Recognition

The Company follows the mercantile system of Accounting and recognizes income and expenditure on accrual basis.

Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Sales are shown at net of sales tax / services tax. These taxes are recognized consistently as a liability.

1.6.1 Interest income is recognized using the time proportion method, based on the transactional interest rates.

1.6.2 Commission income is due on rendering of services.

#### 1.7 Depreciation and Amortization

Depreciation has been provided in the current year as per Straight Line Method on fixed assets at the specific rates prescribed in Schedule XIV the Companies Act, 1956.

#### 1.8 Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the relevant transactions.

Exchange differences arising on foreign currency transactions are being recognized as income or expense in the year in which they arise. In the case of current assets and

current liabilities expressed in foreign currency, the exchange rate prevalent at the end of the year is taken for the purposes of translation.

### 1.9 Retirement Benefits

Provisions for Gratuity, Provident Fund and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation as per the Accounting Standard 15 (Revised 2005).

### 1.10 Taxes on Income

To provide Current tax as the amount of tax payable in respect of taxable income for the year.

To provide deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence as specified in AS 22 Tax on Income

## 2. NOTES TO ACCOUNTS:

### 2.1 Share Capital:

- (a) The Equity Share Capital of the company as on 31st March, 2011 is 3,46,13,815 Equity Shares of Rs. 10/- each fully paid up.

During the year:

- During the year 2010-11, Thirteen Lakh (13,00,000) warrants were converted into equity shares on 5th April 2010.
- Out of 13,00,000 convertible warrants, amount for 3,00,000 warrants was received on 31st March 2010 but the shares were allotted on 5th April 2010.
- During the year 2010-11, the company has received a share premium of Rs. 14.31 per share for 10,00,000 shares amounting to Rs. 1,43,10,000/- .

### 2.2 Contingent Liabilities :

#### 1. Bank Guarantees:

The Company has outstanding guarantees and counter guarantees of Rs.28,98,799/- as on 31.03.2011 ( previous year ended 31.3.2010 is Rs. 42,05,794/- ) to bank, in respect of the guarantees given by the bank in favour of The President of India, Government of India, acting through the Telegraph Authority , Andhra Pradesh State Road Transport Corporation ( APS RTC) and Ministry of Railways .

### 2.3 Secured Loans

- a) The Company has a Over Draft facility for ISP Division of Rs.0.35Lakhs with Bank of India. This is secured against book debts of the company.
- b) The Company has a Working Capital facility for Bio Diesel Division – Nalgonda unit of Rs.481 Lakhs with Bank of India consortium (Bank of India, State Bank of Hyderabad, UCO Bank and Punjab national Bank) which is secured against Stock of the company.
- c) The Company has a working capital facility for Bio-diesel division-Visakhapatnam unit of Rs 3894 lakhs with Bank of India consortium (Bank of India, State Bank of Hyderabad, UCO Bank and Punjab National Bank) which is secured against Stock of the company.



## 2.4 Investments

During the year 2004-05 the Company has invested Rs. 3,430,970/- in Southern Biofe-Biofuels Limited to acquire its business by issuing 3,43,097 Equity shares of Rs. 10/- each fully paid upto the share holders of Southern Biofe-Biofuels Private Limited on swap basis. Subsequently the company has become a 100% subsidiary to Southern Online Biotechnologies Ltd, and the same is approved by the Board of Directors and shareholders of the Company.

## 2.5 Segment Reporting

The activities of the Company can be broadly classified into two segments, viz., Internet Service Provider (ISP) and Manufacturing of Bio Diesel.

The ISP division provides Internet Bandwidth to the Corporate Clients, Educational Institutions, Cyber Cafes, & Individual etc.,

The Bio Diesel division manufactures the Bio Diesel.

Income and direct expenses relation to segments are categorized based on items that are individually identifiable to that segment, while the remainder of cost is apportioned on appropriate basis. Certain expenses which are not specifically allocable to individual segments as the relevant services are used interchangeably. The company therefore believes that it is not practical to provide segment disclosures relating to such expenses. Accordingly, they are separately disclosed as unallowable and directly charged against total income.

The assets of the company are used interchangeably between segments, and the management believes that it is not practical to provide segment disclosure relating to total assets and liabilities.

## Business Segments

(Rs. In lakhs)

Statement of Profit and loss for the year ended 31.3.2011	ISP		BIO DIESEL		TOTAL	
	2011	2010	2011	2010	2011	2010
Revenues	362.68	555.99	5721.19	3,276.28	6083.87	3,832.27
Identifiable Operating Expenses	165.89	311.84	4948.31	2,768.88	5114.20	3,080.71
Allocated Expenses	178.65	188.30	709.67	233.42	888.33	421.71
Segmental Operating Income	18.14	53.01	63.21	273.98	81.34	326.99
Unallocated Expenses	-	-	-	-	-	-
<i>Profit for the year before Interest</i>	<i>18.14</i>	<i>53.01</i>	<i>63.21</i>	<i>273.98</i>	<i>81.34</i>	<i>326.99</i>
Interest Expenses	9.99	16.79	774.35	131.02	784.34	147.82
Other income	-	0.70	4.41	4.04	4.41	4.74
Net profit before taxes and prior period items	8.15	39.76	-706.74	147.00	-698.59	186.76
Provision for taxation	-	7.54	-	26.59	-	34.13
Prior Period Items	-	-	-	-	-	-
Net profit after taxes and before exceptional items	8.15	32.22	-706.74	120.41	-698.59	152.63
Exceptional items	-	-	-	-	-	-
Profit after tax and exceptional items	8.15	32.22	-706.74	120.41	-698.59	152.63

(Rs. In Lakhs)

## Geographical segments

	March 31,2011	March 31,2010
Revenues		
India	7109.76	3,821.72
Total	7109.76	3,821.72

## 2.6 Deferred Tax Asset/ Liability:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the Financial Statements. Deferred Tax asset and liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

(In Rs.)

	As at 31.3.2011	As at 31.3.2010
<b>Deferred Tax Liability</b>		
a) Opening Balance 01.04.2010.	2,19,61,444	147,83,589
b) Deferred Tax Expense/ Income:		
Depreciation differential	3,70,24,101	71,77,855
<b>Total (C)</b>	<b>5,89,85,545</b>	<b>2,19,61,444</b>

**2.7 Foreign Exchange Earnings**

- NIL -

**2.8 Foreign Exchange Outflow**

(In. Rs.)

	31.03.2011	31.3.2010
Foreign Travel	6,07,430	48,191
For Purchases	2,32,49,116	2,06,50,694
Membership Fee	1,73,487	1,15,973
<b>Total</b>	<b>2,40,30,033</b>	<b>2,08,14,858</b>

**2.9 Directors' Remuneration**

The Managerial remuneration paid or provided in accordance with Schedule XIII of the Companies Act, 1956 to the Directors is as follows: (Rs.)

Particulars	31.03.2011	31.3.2010
Salary & Allowances (Whole Time Director)	55,20,000	55,20,000

The above figures exclude the gratuity and leave encashment payable which can not be separately identified from the composite amount advised by the Actuary.

**2.10 Remuneration to Auditors**

(Rs.)

	31.03.2011	31.3.2010
Audit Fees	1,00,000/-	1,00,000/-
<b>Total</b>	<b>1,00,000/-</b>	<b>1,00,000/-</b>

**2.11 Details of Quantitative Information:**

The Company is engaged in the Internet Service Provider (ISP) services. The ISP services are not capable of being expressed in any generic unit and hence it is not possible to give the quantitative details required under paragraph 3 and 4C of part II of the schedule VI of the Companies Act, 1956. In respect of Bio Diesel Division the quantitative information is as follows:

Sl. No.	Quantitative Information	2010-11		2009-10	
		Qty (kgs / Lts)	Value (Rs. In lacs)	Qty (kgs / Lts)	Value (Rs. In lacs)
A	Licensed Capacity	NA		NA	
B	Installed Capacity	280 TPD		30 TPD	
C	<b>Finished Goods</b>				
	<b>Bio Diesel</b>				
	Opening Stock	655,734	196.72	481,608	143.16
	Production During the Year	15,585,674	5,633.55	9,519,646	2,839.57
	Sales During the year	14,484,688	4,971.19	9,323,960	2,731.23
	Home Consumption	29,000	8.70	21,560	6.47
	Closing Stock of Bio Diesel	1,727,720	713.07	655,734	196.72

Sl. No.	Quantitative Information	2010-11		2009-10	
		Qty (kgs / Lts)	Value (Rs. In lacs)	Qty (kgs / Lts)	Value (Rs. In lacs)
	<b>Glycerine</b>				
	Opening Stock	261,815	65.45	3,867	0.94
	Production During the Year	1,447,096	586.32	618,045	154.51
	Sales During the year	815,167	168.15	360,097	93.04
	Consumtion for Estrified Oil	183,978	79.75	-	-
	Closing Stock of Glycerine	709,766	354.80	261,815	65.45
	<b>Cake</b>				
	Opening Stock	1,218,243	79.59	3,842,252	214.68
	Production During the Year	-	-	3,107,805	210.03
	Sales During the year	73,124	3.74	5,731,814	329.15
	Closing Stock of Cake	1,145,119	74.81	1,218,243	79.59
	<b>Estrified Oil</b>				
	Opening Stock	-	-	-	-
	Production During the Year	1,127,611	4079.52	-	-
	Sales During the year	790,920	292.90	-	-
	Consumtion for Bio-Diesel	195,002	74.03	-	-
	Closing Stock of Estrified Oil	141,689	53.84	-	-
	<b>Bio-Diesel Residue</b>				
	Opening Stock	-	-	-	-
	Production During the Year	331,502	139.06	-	-
	Sales During the year	-	-	-	-
	Closing Stock of Bio-Diesel Residue	331,502	139.06	-	-
	<b>Sludge &amp; Fatty Acid Oil</b>				
	Opening Stock	-	-	-	-
	Production During the Year	163,943	36.23	-	-
	Sales During the year	79,347	11.85	-	-
	Closing Stock of Sludge & Fatty Acid oil	84,596	23.36	-	-
<b>D</b>	<b>Raw Materials</b>				
	Fish Oil	-	-	-	-
	Opening Stock	-	-	-	-
	Purchased During the Year	224,075	73.99	-	-
	Consumed During the year	224,075	73.99	-	-
	Closing Stock of fish oil	-	-	-	-

Sl. No.	Quantitative Information	2010-11		2009-10	
		Qty (kgs / Lts)	Value (Rs. In lacs)	Qty (kgs / Lts)	Value (Rs. In lacs)
	<b>Seeds</b>				
	Opening Stock	92,940	9.88	2,803,261	292.22
	Purchased During the Year	-	-	2,647,962	271.00
	Sales During the year	50,619	2.4	5,358,283	553.35
	Closing Stock of Seeds	42,321	4.50	92,940	9.88
	<b>Tallow</b>				
	Opening Stock	608,681	167.57	-	-
	Purchased During the Year	9,975,407	3,562.35	2,655,055	700.82
	Consumed During the year	7,845,913	2,630.35	2,046,374	533.25
	Closing Stock of Tallow	2,738,175	1,079.18	608,681	167.57
	<b>Palm Sterain</b>				
	Opening Stock	840,587	259.91	-	-
	Purchased During the Year	3,653,025	1,282.45	5,259,100	1,491.11
	Consumed During the year	3,849,479	1,308.95	4,418,513	1,231.19
	Closing Stock of Palm Sterain	644,133	223.02	840,587	259.91
	<b>Fatty Acid Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	567,957	181.38	-	-
	Consumed During the year	497,947	156.61	-	-
	Closing Stock of Fatty Acid Oil	70,010	23.54	-	-
	<b>RB Splent Earth Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	968,845	360.57	-	-
	Consumed During the year	666,566	246.78	-	-
	Closing Stock of Splent Earth Oil	302,279	112.79	-	-
	<b>Cotton seed Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	808,620	321.39	-	-
	Consumed During the year	743,159	294.58	-	-
	Closing Stock of Cotton seed Oil	65,461	26.81	-	-
	<b>Rice Bran Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	493,635	149.91	-	--

Sl. No.	Quantitative Information	2010-11		2009-10	
		Qty (kgs / Lts )	Value (Rs. In lacs)	Qty (kgs / Lts )	Value (Rs. In lacs)
	Consumed During the year	485,267	147.37	-	-
	Closing Stock of Rice Bran Oil	8,368	2.54	-	-
	<b>Used Cooking Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	224,830	70.09	-	-
	Consumed During the year	119,500	38.49	-	-
	Closing Stock of Used Cooking Oil	105,330	31.60	-	-
	<b>Palm Sludge Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	220,800	47.87	-	-
	Consumed During the year	123,102	26.70	-	-
	Closing Stock of Palm sludge oil	97,698	21.17	-	-
	<b>R B Acid Oil</b>				
	Opening Stock	-	-	-	-
	Purchased During the Year	180,013	65.24	-	-
	Consumed During the year	163,551	58.95	-	-
	Closing Stock of R B Acid oil	16,462	6.29	-	-

## 2.12 DETAILS OF RELATED PARTY TRANSACTION

The company has entered into the following related party transactions as on 31 st March, 2011 such parties and transactions are identified as per Accounting Standard 18

### a) The following are the list of related parties:

Name of the Party	Relationship
Southern Bio Fe Bio Fuels Pvt. Ltd	100 % Subsidiary
Mr. N. Satish Kumar	Managing Director
Mr. K. Radha Krishna	Director Finance
Mr. B. Sreedhara Reddy	Director- Administration
Mr. B.H.R. Balaji	Executive Director
Mr. K. Tejesh Kumar	Director
Mr. K. Venkateshwara Rao	Promoter.

b) The following are the related party transactions:

(Rs. In lakhs)

Name of the Party	Relationship	Nature of Transaction	Amount 31.03.11	Amount 31.03.10
Southern Bio Fe Bio Fuels Pvt. Ltd	100 % Subsidiary	Loan	-	-
Mr. N. Satish Kumar	Managing Director	Remuneration	19.20	19.20
Mr. K. Radha Krishna	Director Finance	Remuneration	12.00	12.00
Mr.B. Sreedhara Reddy	Director Administration	Remuneration	12.00	12.00
Mr. B.H.R.Balaji	Executive Director	Remuneration	12.00	12.00

2.13 PRIOR PERIOD ITEMS: NIL

2.14 Confirmations were obtained from debtors/ creditors as to the balances receivable/ payable to them as at year ended 31st March, 2011.

2.15 Earning per share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year. (Rs.)

PARTICULARS	31.03.2011	31.03.2010
Total No. of Shares outstanding (nos.)	346,13,815	333,13,815
Total No. of Shares outstanding (weighted Average)	345,99,568	327,63,678
Profit after taxes before exceptional items	(69,858,826)	154,20,210
Profit after taxes after exceptional items	(69,858,826)	154,20,210
EPS before Non-recurring and exceptional items (Weighted Average)	(2.02)	0.47
EPS after Non-recurring and exceptional items (Weighted Average)	(2.02)	0.47

2.16 Gratuity and Leave encashment etc.

1. Gratuity Provision: During the year the Company has provided for Gratuity on Actuarial Valuation basis to comply with AS 15 (Revised 2005).
2. The Amount of gratuity paid during the year is Rs. 6,67,819/-

2.17 Previous year figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 18

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD.

For P. Murali & Co.

Chartered Accountants

**P. MURALI MOHANA RAO**  
Partner

**N. SATISH KUMAR**  
Managing Director

**B. SREEDHARA REDDY**  
Director Administration

Place: Hyderabad  
Date : 30.05.2011

**K. RADHA KRISHNA**  
Director - Finance

**G. ANUPAMA**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	Year Ended 31.03.2011 (Rs in Lacs)	Year Ended 31.03.2010 (Rs in Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit /(Loss) before tax & extraordinary items	(698.59)	186.76
<b>Adjustments for:</b>		
Depreciation	450.65	191.94
Written off Expense	21.11	3.69
Interest	784.34	147.82
<b>Operating Profit before working capital charges</b>	<b>557.52</b>	<b>530.22</b>
Increase in Loans and Advances	1,675.31	(288.06)
Trade and other receivables	71.56	(40.31)
Inventories	(2,478.43)	(276.00)
Trade payables	1,980.38	185.87
<b>Cash generated from operations</b>	<b>1,806.33</b>	<b>111.71</b>
Interest paid	784.34	147.82
<b>Cash flow before extraordinary items - ( A )</b>	<b>1,021.99</b>	<b>(36.11)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Capital Work in Progress	6,083.77	(4,066.00)
Purchase of Fixed Assets	(10,249.86)	(150.43)
Investments	-	-
<b>Net cash used in investing activities - ( B )</b>	<b>(4,166.09)</b>	<b>(4,216.43)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase / decrease in Secured Loans	2,835.63	2,842.92
Misc Expenses	(37.93)	-
Increase in Share Application amount	90.00	81.00
Increase in Share Premium amount	143.10	128.79
Increase in unsecured Loans	34.98	(15.15)
Repayment of unsecured Loans	-	-
<b>Net Cash used in Financing activities - ( C )</b>	<b>3,065.77</b>	<b>3,037.56</b>
<b>Net increase in cash and cash equivalents - ( A+B+C)</b>	<b>(78.33)</b>	<b>(1,214.98)</b>
Cash and Cash equivalents as at ( Opening Balance)	95.41	1,310.39
Cash and Cash equivalents as at ( Closing Balance)	17.07	95.41

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD.

For **P. Murali & Co.**

Chartered Accountants

**P. MURALI MOHANA RAO**

Partner

**N. SATISH KUMAR**

Managing Director

**B SREEDHARA REDDY**

Director

Place: Hyderabad

Date : 30.05.2011

**K. RADHA KRISHNA**

Director - Finance

**G. ANUPAMA**

Company Secretary



## Balance Sheet Abstract and Company's General Business Profile

<b>I. Registration Details</b>	
Registration Number	01-030463
State Code Number	01
Balance Sheet Date	31st March 2011
<b>II. Capital Raised During the Year (Amount in Rs Thousands)</b>	
Public Issue	NIL
Right Issue	NIL
Bonus issue	NIL
Private Placement	NIL
<b>III. Position of Mobilization and Deployment of Funds (Amount in Rs Thousands)</b>	
Total Liabilities	1560493
Total Assets	1560493
<b>Sources of Funds</b>	
Paid-up Capital	346138
Reserves & Surplus	229002
Secured Loans	925872
Unsecured Loans	495
Deferred Income Tax Liability	58985
<b>Application of Funds</b>	
Net Fixed Assets	1213402
Investments	3431
Net Current Assets	304588
Miscellaneous Expenditure	39072
Accumulated Losses	NIL
<b>IV. Performance of Company (Amount in Rs Thousands)</b>	
Turnover	711416
Total Expenditure	781275
Profit /Loss Before Tax +(-)	-69859
Profit /Loss After Tax +(-)	-69859
Earnings per Share in Rs.	-2.02
Dividend Rate %	NIL
<b>V. Generic Names of principal products/ services of Company</b>	
Item Code No. (ITC Code)	NIL
Product Description	ISP Services & Biodiesel

FOR AND ON BEHALF OF THE BOARD.

**N. SATISH KUMAR**  
Managing Director

**K. RADHA KRISHNA**  
Director - Finance

**B SREEDHARA REDDY**  
Director Administration

**G. ANUPAMA**  
Company Secretary

Place: Hyderabad  
Date : 30.05.2011

**Southern Biofe Biofuels Pvt. Ltd.**

**9th Annual Report  
2010 – 11**

**BOARD OF DIRECTORS**

Mr. N. Satish Kumar	Director
Mr. K.Radha Krishna	Director
Mr. B.Sreedhara Reddy	Director
Mr. B. Hare Ram Balaji	Director

**REGISTERED OFFICE**

3A, 3rd Floor, Office Block,  
Samrat Complex, Saifabad,  
HYDERABAD - 500 004

**AUDITORS**

M/s.P. Murali & Co.,  
Chartered Accountants  
6-3-655/2/3,  
Somajiguda,  
Hyderabad - 500 082.

## DIRECTORS' REPORT

To

All Members,

Your Directors have great pleasure to present the Ninth Annual Report of the company together with the Audited accounts for the year ended 31st March, 2011.

### CAPITAL STRUCTURE

The authorised Share Capital of the Company is Rs.34,40,000/- (3,44,000 Equity Shares of Rs.10/-) and Issued and Paid up Capital is Rs. 34,32,000/- (3,43,200 Equity Shares of Rs.10/- each).

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUT GO

- (a) Conservation of Energy:-The Company is taking necessary measures for conservation of energy.
- (b) Research and Development (R & D):- NIL
- (c) Technology Absorption, adaptation and innovation:- No technology either indigenous or foreign is involved.
- (d) Foreign exchange earnings and out go:- NIL

### PARTICULARS OF EMPLOYEES

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs. 60,00,000/- or more per annum or Rs. 5,00,000/- or more per month where employed for a part of the year.

### AUDITORS:

M/s. P. MURALI & CO., Chartered Accountants, retiring auditors of the Company being eligible offer themselves for appointment as auditors of the Company M/s. P.MURALI & CO., Chartered Accountants have furnished a certificate of their eligibility u/s 224(1B) of the

Companies Act, 1956. The members are requested to reappoint the auditors and authorize the Board of Directors of the Company to fix their remuneration.

### 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) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and 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 and/ of the profit or loss of the company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

### SECRETARIAL COMPLIANCE CERTIFICATE

A Secretarial Compliance Certificate pursuant to Section 383A of the Companies Act, 1956 is attached herewith.

To  
The Members of  
SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED  
3A, 3rd Floor, Office Block  
Samrat Complex, Saifabad  
Hyderabad-500004

I have examined the registers, records, books and papers of M/s. SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED (the company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has filed all forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies under the Act and the rules made there under.
3. The company being a private limited company has the minimum prescribed paid up capital and its maximum number of members during the said financial year was Two and the company during the year under scrutiny:
  - a) has not invited public to subscribe for its shares or debentures; and
  - b) has not invited or accepted any deposits from persons other than its members, directors or their relatives:
4. The Board of Directors duly met four times on 13.05.2010, 10.08.2010, 25.11.2010 and 10.02.2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed.
5. The company has not closed its Register of Members during the financial year under review.
6. The Annual General Meeting for the financial year ended on 31st March, 2010 was held on 30th September, 2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extraordinary General meeting was held during the financial year
8. The company being a Private Company, Section 295 of the Act is not applicable.
9. The Company has not entered in to any contracts falling with in the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 (3) of the Act.
11. The provisions of Section 314 of the Act have not been attracted and therefore no approvals were required to be taken.
12. The Company has not issued any duplicate share certificates during the financial year under review.
13. The Company has:
  - (i) Not made any allotment of shares and there was no transfer of shares during the financial year.
  - (ii) Not declared any dividend during the financial year.
  - (iii) Complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted and there was no appointment of Directors during the financial year under scrutiny.

15. The company, being a private company, provisions of Section 269 of the Act with regard to appointment of Managing Director / Whole-time Director / Manager are not applicable.
16. The company has not appointed any sole-selling agents during the financial year under review.
17. The company has not obtained any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and /or such other authorities during the financial year under review.
18. The Directors have disclosed their interest in other firms /companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares/debentures or other securities during the financial year under scrutiny
20. The company has not bought back any shares during the financial year under review.
21. The company has not so far issued any redeemable preference shares / debentures.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits falling within the purview of Section 58A during the financial year.
24. The company, being a private company, the provisions of Section 293(1) (d) of the Act are not applicable.
25. The company, being a private company, the provisions of Section 372A of the Act are not applicable.
26. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the memorandum with respect to objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its Articles of Association during the financial year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the company during the financial year for offences under the Act.
32. The company has not received any money as security from its employees during the financial year under review.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

**N. Muneyya**

Practising Company Secretary

C.P.No: 3489

Place: Hyderabad

Date: 10.08.2011

**ANNEXURE - A**

Registers as maintained by the Company:

1. Register of Members u/s 150 of the Act.
2. Register of Contracts u/s.301 (3) of the Act.
3. Register of Directors u/s 303 of the Act.
4. Register of Directors Shareholding u/s.307 of the Act.
5. Minutes of General Meetings u/s 193 of the Act.
6. Minutes of the Meetings of Board of Directors u/s 193 of the Act.

**ANNEXURE - B**

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ending 31st March, 2010.

Sr No.	Form. No./ Return	Relevant Section	Description	Date of Filing	Whether filed in prescribed time Yes / No	If delay in filing whether requisite additional fee paid Yes / No
1.	Form23AC Form23ACA	220	Balance-Sheet and Profit and loss Account for the year 2009-2010	18.10.2010	Yes	No
2.	Form20B	159	Annual Return for the year 2009-2010	01.11.2010	Yes	No
3.	Form 66	383 A	Compliance Certificate for the year of 2009-2010	18.10.2010	Yes	No

Place: Hyderabad

Date: 10.08.2011

**N. Muneyya**

Practising Company Secretary

C.P.No: 3489

**DEPOSITS**

The company has not accepted any deposits during the year.

**PERSONNEL**

The relations between the management and staff were very cordial throughout this year. Your Directors take this opportunity to record their appreciation for the Co-Operation and loyal services rendered by the employees.

Your Directors are confident that during the years to come the company has got very good prospects. for and on behalf of the Board

By the order of Board of Directors

for Southern Biofe Biofuels Private Limited

**N.Satish Kumar**

Director

Place : Hyderabad

Date: 10.08.2011

**K.Radha Krishna**

Director

## AUDITORS REPORT

To,  
The Members,  
Southern Biofe Biofuels Private Ltd.

We have audited the attached Balance Sheet of SOUTHERN BIOFE BIO FUELS PRIVATE LIMITED, as at 31st March, 2011. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

Since the Company is a private limited company with a paid up capital and reserves not more than rupees fifty lakhs and does not have loan outstanding exceeding rupees twenty five lakhs from any bank or financial institution and does not have a turnover exceeding rupees five crores at any point of time during the financial year, requirement by the Companies (Auditors Report) Order 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, are not applicable to the Company.

Further we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit ;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- (iii) The Balance Sheet dealt with by this report are in agreement with the books of account
- (iv) In our opinion, the Balance Sheet, dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2011 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956 ;
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
  - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

For **P. MURALI & CO.,**  
CHARTERED ACCOUNTANTS

Place : Hyderabad

Date : 16.05.2011

Partner

FRN : 007257S



## Balance Sheet As at 31st March, 2011

PARTICULARS	Schedule No's	Year Ended 31.03.2011 Rupees	Year Ended 31.03.2010 Rupees
<b>I. SOURCES OF FUNDS</b>			
1. SHAREHOLDERS FUNDS			
a. Share Capital	1	3,432,000	3,432,000
2. LOAN FUNDS			
a. Un Secured Loans		1,436,775	1,436,775
<b>TOTAL</b>		<b>4,868,775</b>	<b>4,868,775</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
a. Gross Block		178,900	178,900
b. Less: Depreciation		-	-
c. Net block		178,900	178,900
d. Pre-operative expenditure		4,628,076	4,628,076
<b>2. CURRENT ASSETS LOANS &amp; ADVANCES</b>			
Current Assets , Loans & Advances		1,21,304	124166
Less: Current Liabilities and provisions		1,03,407	97,892
<b>NET CURRENT ASSETS</b>		<b>17,897</b>	<b>26,274</b>
<b>3. MISCELLANEOUS EXPENDITURE</b> (To the extend not written off or adjusted)		<b>43,902</b>	<b>35,525</b>
<b>TOTAL</b>		<b>4,868,775</b>	<b>4,868,775</b>

NOTES ON ACCOUNTS

2

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD.

For P. Murali &amp; Co.

Chartered Accountants

Partner

N. SATISH KUMAR  
DirectorK. RADHA KRISHNA  
Director

Place: Hyderabad

Date : 16.05.2011

**Schedule - 1****SHARE CAPITAL**

PARTICULARS	Year Ended 31.03.2011 Rupees	Year Ended 31.03.2010 Rupees
Authorized Share Capital (3,44,000 Equity Shares of Rs.10/- each)	3,440,000	3,440,000
Issued, Subscribed and Paid-up Share Capital (3,43,200 Equity Shares of Rs. 10/- each)	3,432,000	3,432,000
<b>TOTAL</b>	<b>3,432,000</b>	<b>3,432,000</b>

**SCHEDULE - 2****NOTES FORMING PART OF THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES:**

## a) General:

- 1) The Accounts are prepared on the historical basis and on the accounting principles of a going concern.
- 2) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.
- b) Revenue Recognition: The Company follows the Mercantile system of Accounting and recognizes income and expenditure on accrual basis.
- c) Gratuity: No Provision for gratuity has been made as no employee has put in qualifying period of services for entitlement of this benefit.
- d) Fixed Assets: Fixed Assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

**B. NOTES ON ACCOUNTS**

1. Remuneration to Auditors as Audit fee is Rs. 5,515/- (Previous year 5,515/-)
2. Particulars of employees in accordance with sub-section (2A) of section 217 of the Companies Act, 1956 read with companies (particulars of Employees) n Rule 1975.  
NIL
3. There are no dues to SSI Units outstanding for more than 30 days.
4. As the Company has not started its commercial operation and there is no timing difference of depreciation / loss, the provision for deferred tax liability does not arise as per Accounting Standard 22 ( AS 22 ) issued by ICAI and hence deferred tax liability has not been provided.
5. The figures have been regrouped wherever necessary.
6. The figures have been rounded off to the nearest rupee.

**SIGNATURES TO SCHEDULE 1 to 2**

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD.

For P. Murali &amp; Co.

for SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED

Chartered Accountants

**N. SATISH KUMAR****K. RADHA KRISHNA**

Director

Director

Partner

Place: Hyderabad

Date : 16.05.2011

# Southern Biofe Biofuels Pvt. Ltd.

Statement pursuant to section 212 of the Companies Act, 1956 related to subsidiary Company

Name of the Subsidiary Company : **Southern Biofe Biofuels Private Limited.**

S. No	Particulars	
1.	Financial year	31.03.2011
2.	Shares of subsidiary held by the Company on 31-03-2011	343,097 of Rs. 10/- each 100%
	a. Number and face value	
	b. Extent of Holding	
3.	The net aggregate of profit / (Loss) of the subsidiary for the above financial year so far as they concern the members of the company and is not dealt within the accounts of the company.	NIL
	a. For the financial year ended on 31-03-2011	NIL
	b. For the previous financial year since it become a subsidiary	NIL
4.	The net aggregate of profit / (Loss) of the subsidiary for the above financial year so far as they concern the members of the company and is dealt within the accounts of the company.	NIL
	a. For the financial year ended on 31-03-2011	NIL
	b. For the previous financial year since it become a subsidiary	NIL
5.	Change in the holding companies interest in the subsidiary between the end of the financial year of the subsidiary and the end of the holding company's financial year	Not applicable as financial year coincides with that of the holding company.
6.	Material changes which have occurred between the end off the aforesaid financial year of the subsidiary and the end of the holding company financial year in respect:	As the financial year of both holding and subsidiary company coincide there are no particulars to furnish.
	a. the subsidiary fixed assets	
	b. its investments	
	c. money lent by the subsidiary company	
	d. the money borrowed by it for any purpose other than that meeting current liabilities	

## SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Regd. Off: 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad -500 004

### PROXY FORM

Folio No. .... DP ID No.\* ..... Client ID No.\* .....

I/We.....of ..... in the district of ..... being a member/members of the above named company, hereby appoint Mr./Ms..... in the district of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Thursday, the 29th day of September, 2011 at 11.30 A.M at Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075 and at any adjournment thereof.

Signed this..... day of \_\_\_\_\_ 2011.

Address .....

Signed .....

\* Applicable for investors holding shares in electronic form.

- NOTE :
- A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
  - Proxy need not be a member.
  - The proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the time fixed for holding the meeting.

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## SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Regd. Off: 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad -500 004

### ATTENDANCE SLIP

Folio No. .... DP ID No.\* ..... Client ID No.\* .....

No. of Shares held .....

I hereby record my presence at the Twelfth Annual General Meeting of the Company to be held on Thursday, the 29th day of September, 2011 at 11.30 A.M at Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

- NOTE :
- To be signed at the time of handing over this slip.
  - Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.

Dear Shareholder (s),

**Sub: Request for registration of e-mail ID under "Green Initiative" issued by Ministry of Corporate Affairs, Govt of India.**

1. The Ministry of Corporate Affairs (MCA) has taken a green initiative in Corporate Governance vide circular nos. 17/2011 and 18/2011 dated 21st and 29th April, 2011. The said circular inter-alia stipulates that the Companies have to obtain e-mail address by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company or Depository participant.
2. As per the said circulars, register your e-mail address as under:
  - a) In case your shares are in Demat Account and e-mail address already registered with your DP, please inform changes if any therein to your DP and also update the same from time to time as stated above.
  - b) In case, your shares are in Demat Account and email address not registered so far, please register the email address with your DP and also update the same from time to time as stated above.
  - c) In case, your shares are in physical form, please write to our share Transfer Agent (STA) to register your e-mail address at the address given below and also update the same from time to time as state above.
  - d) In case, you are interested in receiving the notices/documents in physical form only, irrespective of your shareholding in demat or physical, please inform to our STA at address given below.

<b>M/s Aarthi Consultants Pvt. Ltd</b> (Unit : SBT Limited) 1-2-285, Domalguda, Hyderabad – 500029 Tel.no. 040-27638111/4445 Fax no. 040-27632184 E-mail: info@aarthicconsultants.com	or	Click Button on "Green Initiative" on website <a href="http://www.aarthicconsultants.com">www.aarthicconsultants.com</a> or <a href="http://www.sol.net.in">www.sol.net.in</a>
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4. Please note that the email addresses indicated in your respective DP accounts with depositories viz. NSDL/CDSL and e-mail addresses received by our STA will be deemed to be your registered e-mail address for serving notices/documents etc., including those covered under section 219 of the Companies Act, 1956 (the Act) read with section 53 of the Act.
5. Further, the documents electronically sent to you, would be displayed on company's website [www.sol.net.in](http://www.sol.net.in) in well advance for your ready reference and an advertisement would be issued in newspaper to this effect for information of the shareholders.



**Aarthi Consultants Pvt Ltd**

Unit : SBT Limited, 1-2-285,  
Domalguda, Hyderabad – 500029

Sub : Servicing of Notices, documents including notices of General meetings, annual reports, circulars etc through e-mail.

Date: .....

I/ we confirm that you may send the documents through e-mail instead of physical copies. Kindly register the following email id for this purpose.

Folio no/ DPID and Client ID	
E-mail ID	
Name of the first holder	
Signature	

The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and the plans for the future.

The work has been carried out in accordance with the programme of work approved by the Council of the Institute. It has been a year of steady progress and the results are most encouraging. The various projects have been carried out in a most efficient manner and the results are of the highest quality.

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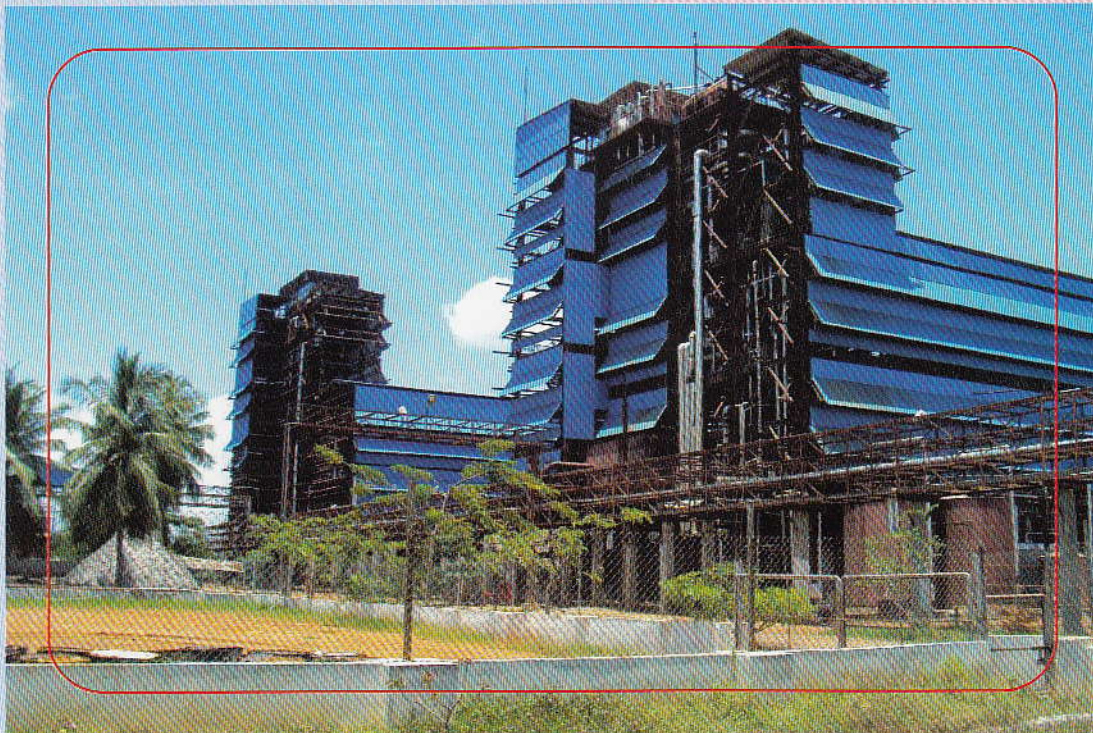
Name of Project	Description of Work
Project A	Investigation of the effect of temperature on the rate of reaction.
Project B	Study of the properties of the new compound.
Project C	Analysis of the results of the experiments.
Project D	Preparation of the report on the work done.

The work has been carried out in accordance with the programme of work approved by the Council of the Institute. It has been a year of steady progress and the results are most encouraging. The various projects have been carried out in a most efficient manner and the results are of the highest quality.

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Name of Project	Description of Work
Project E	Investigation of the effect of temperature on the rate of reaction.
Project F	Study of the properties of the new compound.
Project G	Analysis of the results of the experiments.
Project H	Preparation of the report on the work done.



SBT Biodiesel Plant - Visakhapatnam

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3A, 3rd Floor, Samrat Complex, Office Block, Saifabad, Hyderabad-500 004.

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Visit us : [www.sol.net.in](http://www.sol.net.in) E-mail : [info@sol.net.in](mailto:info@sol.net.in)