

Board of Directors	:	Mr. Y. Anand Swaroop	:	<i>Chairman</i>
		Mr. N.Satish Kumar	:	<i>Managing Director</i>
		Mr. B.H.R. Balaji	:	<i>Executive Director</i>
		Mr. K.Radha Krishna	:	<i>Director - Finance</i>
		Mr. B.Sreedhara Reddy	:	<i>Director - Admin.</i>
		Mr. K.Telesh Kumar	:	<i>Director</i>
		Ms. T. Rohini Reddy	:	<i>Director</i>
		Mr. C. Raveendra Kumar	:	<i>Director</i>
		Mr. Kishor Shah	:	<i>Addl. Director</i>
		Mr Christian A Schmidt	:	<i>Addl. Director</i>
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. Aarthi Consultants Pvt. Ltd. 1-2-285, Domalguda, Hyderabad-29. Tel: (040) 27642217 / 27638111 Fax: (040) 27632184 Email: info@arthiconsultants.com		
Bankers	:	Bank of India Banjara Hills Branch Chandra Apts, Road No.7 Hyderabad – 500 034. UCO Bank Hindustan Shipyard Colony , Gandhigram, Visakhapatnam – 530 005 State Bank of Hyderabad Overseas Branch 6-3-652 “KAUTILYA” Somajiguda, Hyderabad – 500 082		

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on **Wednesday, the 30th September 2009** 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 2009 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 Mrs 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:*

"RESOLVED THAT Mr Kishor Shah, who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. *To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:*

"RESOLVED THAT Mr Christian A Schmidt, who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a

Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

On behalf of the Board

Place : Hyderabad

Date : 17.08.2009

N. Satish Kumar

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 Tuesday 22nd September 2009 to Thursday 24th September 2009 (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 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 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, the 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 the copies of Annual Reports to the Annual General Meeting.
11. At the ensuing Annual General Meeting, Mr K Tejesh Kumar and Mrs T Rohini Reddy retire by rotation and being eligible offered themselves for reappointment. 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 Masters of Business Administration from Andhra University. He has more than 15 years functional experience in Software and finance industry and having good skills in strategic Technology advisory services, information system consultancy services, technology procurement, project-based capacity building technological project management services. Having rich experience and achieved a great success in Technology integration, Business management, marketing and operations in the IT sector. He is also the winner of Global Business Leadership award from World Economic Progress Society.
 - B. Mrs T Rohini Reddy is a M.Sc and M.Tech in Bio Technology. She is currently working as Head of the Department (Bio Technology) at CMR College of Engineering and Technology, Hyderabad. She has also been involved in R & D laboratories in the fields of Bio Technology research. She would be spearheading the Company's R & D efforts.

On behalf of the Board

Place : Hyderabad
Date : 17.08.2009

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 5: Appointment of Mr Kishor Shah as a Director of the Company

Mr Kishor Shah was appointed by the Board of Directors as an Additional Director with effect from 25th February 2009. under Section 260 of the Companies Act 1956, Mr Kishor Shah holds office upto the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs 500/- from a member signifying his intention to propose the name of Mr Kishor shah as a candidature for the office of Director.

PROFILE OF THE APPOINTEE

Mr. Kishor Shah, aged 53 years, having qualification of A.C.A. and A.C.S. has had a very good academic career. He secured first class in B. Com. (Hons.) examination and stood 4th in Calcutta University. He stood third in India and first in Eastern India in C. A. Final examination and received A. F. Ferguson's prize for the best paper in auditing in India. He has also passed all the examinations of The Institute of Cost and Management Accountants, U.K.

Mr. Shah is currently Whole time Director of SMIFS Capital Markets Limited and heads Investment Banking and Wealth Management Operations which include Mergers and Acquisitions, Portfolio Management, Takeovers, Valuation of Shares, Underwriting, Loan Syndication and Advisory functions etc. He was earlier employed with Bata India Limited, Shaw Wallace & Company Limited, Assam Brook Limited and C. D. Capital Markets Limited in senior positions and has over 27 years of post qualification experience.

He has co-authored four books and is a frequent speaker in seminars organized by professional bodies and other organizations. His book 'How to Invest Well' published by Tata Mcgraw Hill was a national best seller.

He is also a Director of SMIFS Capital Markets Limited, SMIFS Capital Services Limited and Salveo Life Sciences Limited.

The Board of Directors accordingly recommends the passing of this resolution as Ordinary resolution as set



out in the accompanying notice.

None of the Directors of the Company except Mr Kishor Shah to the extent of his appointment as director is concerned or interested in this resolution.

Item 6: Appointment of Mr Christian A Schmidt as a Director of the Company.

Mr Christian A Schmidt was appointed by the Board of Directors as an Additional Director with effect from 25th February 2009. Under Section 260 of the Companies Act 1956, Mr Christian A Schmidt holds office up to the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs 500/- from a member signifying his intention to propose the name of Mr Christian A Schmidt as a candidature for the office of Director

PROFILE OF THE APPOINTEE

Mr Christian A Schmidt is having qualification of MBA and Phd in Business Administration Mr. Schmidt is

having a vast experience in finance and consultancy fields. He held many Senior Level Positions in World Bank and other reputed Banks abroad. Presently he is Senior Advisor to Industrial Investment Council (IIC), Berlin, Germany. Advisor to the President on attracting foreign Investment to Germany and is also Senior Advisor to our Company.

The Board of Directors accordingly recommends the passing of this resolution as Ordinary resolution as set out in the accompanying notice.

None of the Directors of the Company except Mr Christian A Schmidt to the extent of his appointment as director is concerned or interested in this resolution.

On behalf of the Board

Place : Hyderabad
Date : 17.08.2009

N. Satish Kumar
Managing Director



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2009.

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:

Particulars	(Rs. in Lakhs)	
	2008 – 09	2007 – 08
Total Income	4106.33	2440.95
Operating Profit	487.29	393.88
Less: Depreciation	236.49	218.68
Less: Misc. Expenditure written off	3.69	3.69
Less: Provision for Tax	28.08	19.43
Net Profit (after deferred tax assets provision)	169.33	69.78

Review and Prospects

The total revenue of the Company for the financial year ended 31st March, 2009 is Rs.4106.33 Lacs as compared to the previous year's total revenue of Rs 2440.95 Lakhs. During this financial year the Company has recorded a net profit of Rs. 169.33 Lacs as against the previous year's net profit of Rs.69.78 Lakhs (after deferred tax assets provision). The Company has commenced the commercial operations of biodiesel from 2007 and also improved performance in the ISP business when compared to previous year.

The Company has achieved a significant turnover of Rs.741.79 lacs with a net profit of Rs.12.65 lacs for the Quarter ended June, 2009 when compared with previous financial year corresponding period turnover of Rs.850.71 lacs with a net profit of Rs.36.66 lacs.

Awards to the Company

■ Frost & Sullivan Award

"2007 Frost & Sullivan award for Entrepreneurship is presented at New Delhi to Southern Online Bio Technologies Limited," the country's first commercial Biodiesel plant, recognizing its proactive efforts in manufacturing high quality biodiesel.

The Frost & Sullivan Award for Entrepreneurial Company is presented each year to the company that has demonstrated superior entrepreneurial ability in its industry during the research period. This Award signifies the company's identification of a unique and revolutionary product solution with significant market

potential. Additionally, the Award certifies that the company's marketing strategy is sound and poised for success.

Entrepreneurial ability is assessed using primary research with top manufacturers and end users in the industry. Frost & Sullivan's analyst teams performed extensive interviews with the company to evaluate its business, products, and marketing plan. In addition, primary research with leading manufacturers is performed to benchmark the Southern Online's strategy for growth against established player's strategies. Frost & Sullivan also considered certain elements such as strategic alliances, expected time to market, and the senior management team. Primary research with end users is also conducted to evaluate and compare the value of the Southern Online's product solution.

■ Innovative Network Award from Bharti Airtel Ltd.

The ISP Division of the SBT has been awarded with "INNOVATIVE NETWORK AWARD" by Bharti Airtel Ltd .

The award has been given to SBT for its continuous endeavors to adopt the new generation networks to serve the market demands with seam less integration by providing value added services and for adopting the MPLS technology as the transport platform by using Layer - 1, 2 & 3 Protocols. While declaring the award, Bharti Airtel also considered the vision of SBT because of which the benefits of the technology spread



across 20+ upcountry locations by using minimum deployment costs and having complete control on the network. The network architecture of SBT has become role model for other ISPs across the country

■ **Glory of India Award**

The Company has been awarded GLORY OF INDIA AWARD for excellence in promoting global integration and economic development at the International Conference on “Celebrating the Global Indian” on 28th December 2008, Bangkok, Thailand.

■ **Best Cleaner Production Practices & Waste Minimization techniques.**

The Andhra Pradesh Pollution Control Board, Nalgonda awarded your Company “Best Cleaner Production Practices & waste minimization techniques” on the occasion of the World Environment day 5th June 2009.

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 through PSTN
- Server Co-Location
- Leased Line services (Terrestrial and RF links)
- Networking Solutions
- Web Hosting
- VOIP Services
- Dedicated Servers

BIODIESEL PROJECT

Your Company’s Biodiesel Unit has been established at Samsthan Narayanpur Village & Mandal, Nalgonda District with 40,000 liters per day capacity with an investment of Rs.25.72 crores and your Company has commenced the sale of Biodiesel from 12.07.2007.

The Company has been supplying biodiesel to various well reputed customers like APSRTC, RDSO(Division of Indian Railways), Indian Railways, Kirloskar Oil Engines, Toyota Kirloskar, Giatech(for KSRTC), W S Industries, Hyderabad Castings Limited, Hotel Marriott, Taj group of Hotels etc

APSRTC

Andhra Pradesh Road Transport Corporation (APSRTC) has given the order to the Company for the supply of 3,00,000 liters of biodiesel per month to its 12 depots in Hyderabad & Secunderabad, as against the tenders to procure 1,15,68,000 liters per year, to use in their buses of 23 depots out of 252 depots. The Company has been supplying biodiesel to APSRTC against the above order. Also the Company is expecting orders for the supply of biodiesel to its other depots apart from the above.

RDSO (Division of Indian Railways) and Indian Railways

RDSO, Luckow has already started purchasing Biodiesel from the Company. Company is in receipt of purchase order from Indian Railways to supply 2664.50 Kilo liters Biodiesel.

Milestones

Some of the important milestones of the Company in the year 2007, 2008 and 2009 are :

Year	Event
2007	<ul style="list-style-type: none"> ● Product (Biodiesel) endorsement by Hindustan motors, Kirloskar ● Trial runs by TNT Express, Bangalore ● Product purchases by Idea Cellular, A.P ● Trial runs by Mahindra & Mahindra ● Participated in the tenders called for by APSRTC for the supply of biodiesel ● Commencement of sales operations ● Participating in the tenders called for by Indian Railways for the supply of biodiesel ● Commencement of sales operations of Biodiesel in the month of July, 2007 ● Signed Purchase agreement with Kirloskar Oil Engines for B-100 usage in their DG sets. ● Purchase order from RDSO (Research Division of Indian Railways) ● Received 'Entrepreneurial Award for the year 2007' from Frost & Sullivan towards Company's proactive efforts in manufacturing high quality Biodiesel as first domestic Biodiesel production unit in India
2008	<ul style="list-style-type: none"> ● Received 'Innovative Network Award' from Bharti Airtel Ltd for its network architecture in the area of Internet Services ● Order from APSRTC for supply of 3,00,000 litres of Biodiesel per month to their 12 Depots in Hyderabad and Secunderabad ● Indian Economic Development & Research Association (IEDRA) has given this award to the company and to the Managing Director on a national basis for outstanding contributions by the company and the MD in the fields of biodiesel industry and Internet Services. ● Signed contract with Kirloskar Oil Engines Limited, Pune for the supply of Biodiesel.
2009	<ul style="list-style-type: none"> ● Company started implementing 250 TPD Biodiesel plant at Vizag with an investment of Rs. 90.00 Cr. ● Company has received "Best Cleaner Production Practices & Waste minimizing Techniques Award for the existing Nalgonda based Biodiesel plant for the year 2008 from Andhra Pradesh Pollution Control Board. ● Received purchase order from Indian Railways from the supply of 2664.50 KL. ● Company tied up with Singapore based company for the Biodiesel plantation as backward integration.

FUTURE PLANS

Company is successfully tied for the required funds to set up 82500 TPY capacity Biodiesel production complex with State of Art technology in multi product SEZ of APIIC at Vizag.

Company is focusing to enter in to Agricultural business by producing and formulating the highly potential Bio agro organic fertilizers, nutrients and insecticides for agricultural plant protection and also planning to produce all necessary ingredients for organic farming.

Company also working closely with the technology provider in utilizing the Algae based raw material for the production of Biodiesel.

Company is planning to get in to captive power generation to meet its power requirements.

Plant at Vizag

Having experience in setting up the Biodiesel unit, now SBT has been setting up a unit of 250 Tons per day capacity at Vizag as SEZ unit to have presence in the Global market also. The project cost of the proposed Biodiesel plant is Rs. 90.00 Cr.

Preferential Allotment

During the last financial year the Company has raised funds through preferential allotment for establishing its second biodiesel plant at the APIIC SEZ, Vizag. In the preferential allotment the Company has raised Rs.5.63 crores by allotting 10,00,000 equity shares and 70,00,000 convertible warrants to others on 30.09.2008 and 3,25,000 equity shares and 15,00,000 Convertible warrants to others on 06.10.2008 at a price of Rs.25.90/- per share/warrant (including a premium of Rs. 15.90/

- per share/warrant). Out of the warrants allotted to promoters on 22.11.2007, 30,500 warrants are converted into equity shares on 15.12.2008. The above equity shares and the warrants converted in to equity shares are listed at the stock exchanges. The proceeds of the said preferential allotments are utilized for the purpose for which they are raised.

Demerger

The Company is in receipt of Inpriniciple Approval for demerger from BSE. However, the scheme of demerger shall be subject to the approval of Stock Exchanges, Shareholders and the Hon'ble High Court of Andhra Pradesh.

Directors

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

Mr.Dipen K Sheth resigned as Director of the Company w.e.f. 25.02.2009. The Board takes this opportunity to thank him for their valuable contribution during the tenure of their directorship.

Mr Kishor Shah and Mr Christiana A Schmidt were appointed as Additional Directors on 25.02.2009. Their appointment as directors is proposed in the ensuing Annual General meeting

Mr K Venkateswara Rao resigned as Director and Chairman of the Company w.e.f 15.07.2009. The Board takes this opportunity to thank him for their valuable contribution during the tenure of their directorship

Mr Y Anand Swaroop was appointed as Non Executive Chairman of the Company w.e.f 15.07.2009.

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, 2009, 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 2009 and of the profit of the company for the financial year ended 31st March 2009.
- 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, 2009 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 require electrical energy for power supply to computer systems, in 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. 25,23,146/-

Particulars	Rs.
Foreign Travel	21,050
Purchase of Equipments	23,80,351
Membership Fee	1,21,745
TOTAL	25,23,146

Stock Exchanges

The Company's present Equity shares are listed on Bombay Stock Exchange Ltd., Mumbai and The Bangalore Stock Exchange. The Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2008-09.

Acknowledgements

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the valued customers, bankers, personnel of APSRTC, 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 : 17.08.2009

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

SBT has been committed to the highest standard of Corporate Governance practices in the entire gamut of its business philosophy. The guiding forces of Corporate Governance at Southern Online are its core values – Quality operations, Customer satisfaction, Shareholders' value, Belief in people. The Company believes that a strong Corporate Governance policy is indispensable to healthy growth of business and resilient and vibrant capital markets, besides being an important instrument of investor protection. In this direction, Southern Online endeavors in true spirit, to adopt the best global practices in Corporate Governance.

2. Board of Directors

A. Composition

- a. The Company has 10 Directors with Non Executive Chairman, of 10 Directors, 2 are Non-Executive and 4 are Independent Directors. 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 in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2009.
- c. The names and categories of the 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 is 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 2008-09 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	Non Executive Director	4	NIL
K. Venkateswara Rao *	Non Executive Director	4	NIL
Y. Anand Swaroop	Independent Director	NIL	NIL
T. Rohini Reddy	Independent Director	NIL	NIL
V. Durga Prasad**	Independent Director	NIL	NIL
C. Raveendra Kumar	Independent Director	NIL	NIL
B. Rajesh**	Independent Director	NIL	NIL
Dipen K. Sheth***	Independent Director	1	NIL
Kishor Shah ****	Independent Director	3	NIL
Christian A Schmidt****	Non Executive Director	NIL	NIL

* Ceases to be Director w.e.f 15.07.2009

** Ceases to be a Director w.e.f 30.07.2008.

*** Ceases to be Director w.e.f 25.02.2009

**** Appointed as Additional Director w.e.f 25.02.2009

- d. Pecuniary relationship or transactions of the 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 2008 - 09 the Board of Directors met 12 times on the following dates:
25.04.2008, 30.06.2008, 30.07.2008, 26.08.2008, 30.09.2008, 06.10.2008, 31.10.2008, 03.12.2008, 15.12.2008, 21.01.2009, 30.01.2009, 25.02.2009.
- f. The time gap between any two Board Meetings did not exceed three months.
Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 25th September, 2008

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
N. Satish Kumar	12	Yes
K.Radha Krishna	11	Yes
B. Sreedhara Reddy	8	Yes
B.H.R. Balaji	10	Yes
K. Tejesh Kumar	10	Yes
K. Venkateswara Rao	10	No
Y. Anand Swaroop	10	Yes
T. Rohini Reddy	11	No
V. Durga Prasad	-	No
C. Raveendra Kumar	-	No
B. Rajesh	-	No
Dipen K. Sheth	-	No
Kishor Shah	-	NA
Christian A Schmidt	-	NA

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.

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

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.

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- 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 25th September 2008 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	Y.Anand Swaroop	Chairman	Non-Executive & Independent Director
2	T. Rohini Reddy	Member	Non-Executive & Independent Director
3	V. Durga Prasad*	Member	Non-Executive & Independent Director
4	C. Raveendra Kumar**	Member	Non-Executive & Independent Director

* Ceased to be a Member of the Committee w.e.f 30.07.2008. ** Appointed as Member of the Committee w.e.f. 30.07.2008.

V) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 25.04.2008, 30.07.2008, 31.10.2008 and 30.01.2009.

The necessary quorum was present at all the meetings.

Attendance during the year 2008-09:

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

* Mr.V.Durga Prasad appointed as Member of the Committee w.e.f. 05.10.2007, however he ceased to be member of the Committee w.e.f. 30.07.08.

** Appointed as Member of the Committee w.e.f 30.07.2008

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 has 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	Dipen K. Sheth**	Member	Non-Executive & Independent Director
4	Kishor Shah***	Member	Non-Executive & Independent Director

* Ms.Rohini Reddy appointed as Chairman of the Committee in place of Mr. V. Durga Prasad w.e.f. 30.07.2008.

** Mr Dipen K Sheth resigned as Member w.e.f 25.02.2009.

*** Kishor shah appointed as Member w.e.f 25.02.2009

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 three times on 30.06.2008, 30.08.2008 and 25.02.2009.

The details of the salary and commission paid / payable for the Financial Year ended 31st March, 2009 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	16.56	NIL
K. Radha Krishna	Director Finance	10.79	NIL
B. Sreedhara Reddy	Admin. Director	10.79	NIL
B H R Balaji	Executive Director	10.79	NIL
K. Tejesh Kumar*	Director – International Affairs	1.75	NIL
K. Venkateswara Rao**	Director – International Affairs	1.75	NIL

* Resigned as Director-Intl. Affairs and shall continue as Non Executive Directors w.e.f. 27.08.08.

** Resigned as Director-Intl. Affairs and shall continue as Non Executive Directors w.e.f.27.08.08.Appointed as Non Executive Chairman 21.01.2009 and resigned as Director and Chairman w.e.f 15.07.2009.

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 the 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

*Ms.T.Rohini Reddy appointed as Chairman of the Committee in place of Mr. V. Durga Prasad w.e.f. 30.07.2008.

** Appointed as Member of the Committee w.e.f. 30.07.2008.

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 one complaint is received from the shareholders, all of them have been resolved and there are no pending Share Transfers / Complaints as on date of this report.

7. General Body Meetings

There were no matters required to be dealt/ passed by the Company through postal ballot, as required under the provisions of Section 192A of the Companies Act, 1956.

Financial Year	Date	Time	Venue	Special resolutions passed
10th AGM 2007-08	25.09.2008	11.30 AM	Dream Valley, Srinagar, Gandipet, Hyderabad-500 075	<ol style="list-style-type: none"> 1. Increase in Remuneration of Mr. N Satish Kumar 2. Increase in Remuneration of Mr BHR Balaji. 3. Increase in Remuneration of Mr K Radha Krishna. 4. Increase in Remuneration of Mr B Sreedhara Reddy. 5. Issue of Equity shares and Convertible warrants to non promoters.
9th AGM2006 – 07	01.11.2007	11.00 AM	Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075	<ol style="list-style-type: none"> 1. Appointment of Mr.Dipen K.Sheth as Director of the Company 2. Issue of Equity Shares and Convertible Warrants to Promoters/others on Preferential basis
EGM	28.01.2008	11.00 AM	Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075	<ol style="list-style-type: none"> 1. Issue of Equity Shares under Qualified Institutional Placement (QIP) 2. Issue of Shares and Warrants Convertible into Equity Shares to Promoter(s)/Others on Preferential Basis
8th AGM2005 – 06	29.12.2006	11.30 AM	Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075	<ol style="list-style-type: none"> 3. Re-appointment of Managing Director 4. Further Issue of Shares under Section 81 & 81(1A) of the Companies Act, 19562. Increase of share capital u/s 94(1)(a) of the Companies Act, 1956.

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement is given as 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.36.00 crores through the Preferential Issue for setting up second Biodiesel unit in APIIC SEZ at Vizag, Andhra Pradesh with a capacity of 250 tons per day, which is expected to commence operations in the third quarter of Financial Year 2009 - 10.

- **Management Discussion and Analysis**

This is given as a separate section in the 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/ Andhra Bhoomi. These financial statements, press releases are also posted on the Company's website, at 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) **Eleventh Annual General Meeting**

Date and Time : 30.09.2009, at 11.30 A.M

Venue : Dream Valley, Srinagar, Gandipet, Hyderabad - 75.

- b) **Financial Calendar 2009-10 (Tentative Schedule)**

For the Quarter ended 30th June, 2009, the Company has already declared the Unaudited Financial Results on July 30, 2009.

Adoption of Quarterly results for the Quarter ending

- 30th September, 2009 : 3rd/4th Week of October, 2009

- 31st December, 2009 : 3rd/4th Week of January, 2010

- 31st March, 2010 : on or before 30th April 2010

Annual General Meeting (Next year) : August / September, 2010



c) **Book Closure Date**

22nd September, 2009 to 24th September, 2009 (both days inclusive)

d) **Listing on Stock Exchanges**

: Bombay Stock Exchange Ltd
Bangalore 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, 2008 to March, 2009 at Bombay Stock Exchange after the shares are listed on 24.10.2005:

Scrip Code: 532669 Company Name: SOUTHBIOTEC For the period: April 2008 to March 2009

Date	High (Rs.)	Low (Rs.)	No. of Shares
April 2008	31.10	18.90	1111211
May 2008	30.20	23.00	998571
June 2008	31.70	23.20	2026171
July 2008	28.50	21.50	1059422
August 2008	30.00	22.55	1662117
September 2008	25.00	14.25	1382909
October 2008	17.35	8.90	869552
November 2008	12.55	7.90	448985
December 2008	11.00	8.00	567510
January 2009	11.20	8.10	330357
February 2009	8.70	7.12	407152
March 2009	9.15	7.45	230057

g) **Registrars and Transfer Agents**

Aarhi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarhiconsultants.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. Aarhi 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 31.03.2009

(CONSOLIDATED)

Category code	Category of Shareholder	No. of Share holders	Total No of shares	No. 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 %
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
a.	Individuals/Hindu Undivided Family	12	6049479	6017979	18.49	18.49	0	0
b.	Central Government/ State Government(s)	0	0	0	0	0	0	0
c.	Bodies Corporate	0	0	0	0	0	0	0
d.	Financial Institutions/ Banks	0	0	0	0	0	0	0
e.	Others :- Mutual Funds	0	0	0	0	0	0	0
f.	Trusts	0	0	0	0	0	0	0
	Sub Total (A)(1)	12	6049479	6017979	18.49	18.49	0	0
(2)	Foreign							
a.	Individuals (Non Resident Individuals/Foreign Individuals)	0	0	0	0	0	0	0
b.	Bodies Corporate	0	0	0	0	0	0	0
c.	Institutions	0	0	0	0	0	0	0
d.	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	0	0	0	0	0	0	0
	(A)=(A)(1)+(A)(2)	12	6049479	6017979	18.49	18.49	0	0
(B)	Public Shareholding							
(1)	Institutions							
a.	Mutual Funds/UTI	0	0	0	0	0	0	0
b.	Financial Institutions /Banks	0	0	0	0	0	0	0
c.	Central Government/ State Government(s)	0	0	0	0	0	0	0
d.	Venture Capital Funds	0	0	0	0	0	0	0
e.	Insurance Companies	0	0	0	0	0	0	0
f.	Foreign Institutional Investors	2	1289268	1289268	3.94	3.94	0	0
g.	Foreign Venture Capital Investors	0	0	0	0	0	0	0
h.	Others :- Foreign Companies	0	0	0	0	0	0	0
	Sub Total (B)(1)	2	1289268	1289268	3.94	3.94	0	0

(2)	Non-Institutions							
a.	Bodies Corporate	341	8672753	7925707	26.51	26.51	0	0
b.	Individuals							
	i. Individual share holders holding nominal share capital upto Rs.1 lakh	11625	8109192	7753011	24.79	24.79	0	0
	i. Individual share holders holding nominal share capital in excess of Rs.1 lakh	160	6578693	4505093	20.11	20.11	0	0
	Others : -							
c.	Non Resident Individuals	110	1985232	1909932	6.07	6.07	0	0
d.	Overseas Corporate Bodies	1	10000	0	0.03	0.03	0	0
e.	Trusts	1	1100	1100	0	0	0	0
f.	Employees	0	0	0	0	0	0	0
g.	Clearing Members	16	18098	18098	0.06	0.06	0	0
h.	Foreign Nationals	0	0	0	0	0	0	0
	Sub Total (B)(2)	12254	25375068	22112941	77.57	77.57	0	0
	Total Public Shareholding (B)=							
	(B)(1)+(B)(2)	12256	26664336	23402209	81.51	81.51	0	0
	Total (A)+(B)	12268	32713815	29420188	100	100	0	0
(C)	Shares held by Custodians and against Depository Receipts have been issued	0	0	0	0	0	0	0
	Grand Total (A)+(B)+(C)	12268	32713815	29420188	100	100	0	0

(B) Distribution of Shareholding as on 31.03.2009

Range (Rs)	No. of Shareholders	% of Total Shareholders	Shares Amount	% of Total Shares Amount
1 - 5000	8847	72.00	22768980	6.96
5,001 - 10000	1530	12.00	13563220	4.15
10,001 - 20000	804	7.00	13073630	4.00
20,001 - 30000	309	3.00	8076800	2.47
30,001 - 40000	125	1.00	4552520	1.39
40,001 - 50000	174	1.00	8409340	2.57
50,001 - 100000	239	2.00	18352640	5.61
1,00,001 and above	240	2.00	238341020	72.86
Total	12268	100.00	327138150	100

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 89.93% of the Company's shares up to 31st March 2009 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 Depository Limited (NSDL) at www.nsdl.co.in.

Particulars	No. of Shares	% Share Capital
NSDL	2,38,71,228	72.97
CDSL	55,48,960	16.96
PHYSICAL	32,93,627	10.07
Total	3,27,13,815	100.00

13. Biodiesel Plant Location:

Biodiesel Plant:

The first Biodiesel Plant is located at Survey No. 6 & 7, Samsthan Narayanpur (Village & Mandal), Nalgonda Dist, A.P.

The Second Biodiesel Plant is under establishment at Plot No.45A, APIIC Multi Product SEZ, Atchutapuram, Visakhapatnam.

14. 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@aarthiconsultants.com

On behalf of the Board

Place : Hyderabad
Date : 17.08. 2009

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:

In India there were 13.5 million Internet users by March'09 and as per the Telecom Regulatory Authority of India (TRAI) and the growth rate of 5.30% per quarter.

Internet has been perhaps the most outstanding innovation in the field of communication in the history of mankind. Internet is a collection of various services and resources. Many people think email and world wide web as the main constituents of internet but there is a lot more in store. It became the best business tool in the modern scenario. Today internet has brought a globe in a single room.

The Internet and Mobile Association of India (IMAI) found that the top sectors among 292 Internet advertisers in India were automobiles, banking and financial services with dating and matrimonial ads in the third place. Education, general online, jobs, media, NGOs, property, retail and e-commerce, technology and travel came next in the order of preference. In the coming, Internet can ultimately replace Traditional Media.

The foremost target of internet has always been communication and internet has excelled beyond the expectations. Still innovations are going to make it faster and more reliable. Information is probably the biggest advantage internet is offering. Entertainment is another reason why many people prefer to surf internet. The industry of online gaming has tasted dramatic and phenomenal attention by game lovers. Many services such as online banking, job seeking, purchasing tickets of favorite movie, guidance services on array of services engulfing in the every aspect of life. E commerce site concept used for any type of commercial maneuvering or business deals that involves the transfer of information across the globe via internet. And of course, it satisfies your information and learning needs - so the Internet is actually media plus. It would be wrong to classify it as a media property; it's not just a media property; it's much more than that.

ii. Opportunities and Threats

The Government has initiated various proactive measures in the proliferation of the Internet Services in the Country. A number of countries have permitted VOIP as a technology option since 1995 to the classical PSTN as well as Internet Telephony so as to provide a cheaper alternative to classical PSTN calls. VOIP stands for "Voice Over Internet Protocol". This technology is used to send voice data generated by telephone calls over a broadband internet connection instead of over a standard phone network. VOIP is now a realistic solution. However, In India, the ISPs were allowed to offer Internet Telephony Services with effect from April 1, 2002.

With the choice availability of Toll Quality (PSTN) and Non-Toll Quality options, Internet Telephony has thrown open Long Distance Telephony to those sections of Society, which could not afford the same earlier. Further, Internet Telephony is proving to be a key driver for local entrepreneurs to set up Community Information Centers / Cyber-kiosks / Internet Dhabas, etc even in small towns and villages. In fact it has made distance learning, Tele-medicine and e-governance etc a reality in Indian context.

However, as per the TRAI by the end of March'09 around 131.63 Million minutes of internet telephony has been used in India.

Further with effect from 01.01.2006, the Ministry of Communications & IT, Dept. of Telecommunications, Govt. of India, started imposing a Annual Licence Fee of 6% on the adjusted gross revenue in addition to rupee one per annum as is prevailing so far.

iii. Outlook for the Industry

To be fair the internet business has blended very well with the main stream economy. It is as much a part of everyday lives. It has been widely recognized that the diffusion of the Internet and its associated applications (e.g., e-governance, electronic commerce, e-banking, e-learning etc.) can fuel the growth of a nation's economy. Internet significantly facilitates the process of development of the nations and its citizens in all respects, be it economic, social, or cultural.

However, it must be noted that for sustaining such applications and Internet as a whole there must be a critical mass of Internet users. It is therefore very important to encourage the Internet growth and usage.

Cost to consumers for Internet access and quality in service plays a vital role for the growth of Internet industry.

B. BIODIESEL Division

Bio Diesel from vegetable oils (eg, pongamia, jatropha, and other sources) is safe, biodegradable, and free of sulphur. It uses a proven and low-capital-cost

technology, and can hence be implemented readily in India. Bio Diesel reduces serious air pollutants, such as soot, particulates, carbon monoxide, hydrocarbons, and air toxics and has superior lubricating properties compared to Petro Diesel (see Table 1 below). Bio Fuel is increasingly being used as a substitute fuel in Europe and the United States.

Table 1. Comparison of various properties of Bio Diesel with petroleum diesel

Property	Bio Diesel	Petroleum diesel (CARB low-sulphur diesel)
Cetane number	51 – 62	44 – 49
Lubricity	Much greater than diesel. Comparable to oil lubricants	Low-sulphur fuel has low lubricity factor
Biodegradability	Biodegrades readily	Poor biodegradability
Toxicity	Essentially non-toxic	Highly toxic
Oxygen	Up to 11% free oxygen	Very low
Aromatics	No aromatic compounds	18-22%
Sulphur	None	0.05%
Flash point	300-400 degrees. F	125 degrees. F
Spill hazard	None	High
Material compatibility	Degrades natural, butyl rubber	No effect on natural, butyl rubber
Shipping	Shipped as non-hazardous and non-flammable material	Hazardous
Renewable supply	Renewable fuel	Non-renewable
Energy security	Domestic raw materials	Mix of domestic and imports
Alternative fuel	Yes	No
Production process	Chemical reaction	Reaction + fractionation

Source: National Bio Diesel Board, USA

Other benefits

Bio Diesel production has other benefits in India. Since India is a net importer of petroleum (the country imports 64% of its crude requirements, which amounts to 90 million tons worth \$ 100 billion), substituting fossil fuel with Bio Diesel makes strategic and economic sense. The country has vast areas of land classified as 'wastelands' (estimated variously between 50 and 100 million hectares) where pongamia and jatropha can easily be grown either as energy plantations or as field hedges. These trees offer good returns to growers, hence serve as good sources of income, employment, and cottage industry in oil extraction.

Several women's self-help groups in tribal areas are involved in collecting oilseeds in the forest and extracting oil from these seeds for sale in the market. Oilcake from the residue can serve as good manure and substitute for chemical fertilizer. There are also possibilities for carbon dioxide emission reduction under terms of the Kyoto Protocol through Bio Fuel displacement. The Government of India has been encouraging the use of renewable energy. Several financial incentives for bio-diesel are under discussion as part of the national Bio Fuel policy.

Benefits of bio-diesel

SBTL has initiated its bio-diesel project with an eye on the deteriorating urban environment caused by

vehicular pollution. Much of the pollution is created by old buses, trucks, three-wheel taxis, and other forms of public transport many of them over 15 years old. The government, under court orders, is requiring old vehicles to upgrade their engines to lower emissions. The project was developed on the premise that **replacing Petro Diesel by Bio Diesel is a cheaper option than upgrading or replacing older engines.** Bio Diesel also lowers emissions to meet government's new environmental standards. Field tests, set up under the first phase, have produced results that can convince and educate vehicle operators of the benefits of Bio Diesel.

Other reasons for the bio-diesel foray

There are four other reasons for developing the project. **One**, new opportunities are being created by government policy encouraging the production and distribution of Bio Fuel. The new policy, under discussion, proposes to provide several financial incentives (e.g. investment subsidy, exemptions in sales and income taxes, rebates on power, etc). **Two**, vast swathes of unproductive land can be brought under energy plantations to produce Bio Fuel, which provides opportunities to involve rural communities living in poverty, NGOs, and local governments. Their involvement would provide a steady source of raw material for the Bio Fuel project. **Three**, the financial returns (Return on Capital employed) in this project are healthy, which ensures the financial viability of the project. **Four**, the success of Bio Diesel in operating transport fleets has been proven in the United States and Europe, so its application should not be much of a problem in India.

A blend of 20% Bio Fuel with 80% diesel oil (or B20) would be an appropriate beginning as it calls for no modification in bus engines built prior to 1994.

i. Industry Structure and Development

Transesterification of vegetable oil was conducted as early as 1853 by scientist E. duffy and J Patrick many years before the first diesel engine became functional. Vegetable oil is used as fuel by Dr Rudolf in 1895. Dr. Rudolf Diesel developed the first diesel engine to run on vegetable oil. Rudolf Diesel's prime model as single 10ft (3m) iron cylinder with a fly wheel at its base, ran on its own power for the first time in Augburg, Germany, on August 10, 1893. In remembrance of this event, August 10 has been declared "International biodiesel Day." Diesel demonstrated his engine at the World Exhibition in Paris in 1900, using peanut oil as

fuel. Before World War II, biodiesel was introduced in South Africa to power heavy-duty vehicles. On August 31, G Chavanne of the University of Brussels (Belgium) was granted a patent for a "procedure for the transformation of vegetable oils for their uses as fuels"

Biodiesel (methyl esters) is a renewable liquid fuel produced from new or used vegetable oils or animal fats. It is typically made by a chemical process called esterification, transesterification which relies on an alcohol, such as methanol, and a catalyst. It can also be made from Pongamia, Jatropha, cottonseed, peanut, canola (a variety of rapeseed), sunflower oils, waste animal fats, and used cooking oil.

Bio diesel can be used in pure form or may be blended with petroleum diesel at any concentration in most modern diesels engines. Bio diesel is used in vehicles, Railways, Aircraft, construction equipments, motor boats etc.

Bio Diesel plants are now being built by several companies in Europe; each of these plants will produce up to 5.7 million liters (1.5 million gallons) of fuels per year. In the United States also, Bio Diesel is being commercialized..

Significant progress towards establishing a firm foundation for a Bio Diesel industry in India has already been made. The ministry of Agriculture, and affiliated researchers, have determined that there are several native species of nonedible oil bearing trees which can yield substantial and inexpensive oil feed stocks for making Bio Diesel. Several discussions have taken place at the federal government level with the Ministry of Rural Development, Ministry of Environment and Forests, Ministry of Finance.

ii. Opportunities and Threats

- is ever-growing demand for Bio Diesel the main product of the company
- The product is an renewable energy source and is an ideal substitute for fossil fuel the source of which is dwindling
- The ever increasing prices of petroleum crude shores up more opportunities by way of demand and higher prices
- 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.
- As Bio Diesel facilitates reduction of carbon emissions, the company can also earn sizable revenue by way of sale of CER's (Rs. 9.00 crores p.a)

Threats :

- If the edible oil prices fall internationally, price advantage on exports will be impacted.
- Due to lack of policy frame work from both central and state governments, the industry lacks direction for support and growth.

However policy on Biodiesel is under consideration of the Government of India and has to announce the same encouraging the production and usage of Biodiesel. Several financial incentives such as reimbursement of stamp duty, exemptions in sales and income taxes, rebates on power, subsidy on cleaner production measures, quality certification etc. are available. Also the locality of the project has added advantage of easy availability of part of raw material.

Vast swathes of unproductive land can be brought under energy plantations to produce Bio Fuel, which provides opportunities to involve rural communities living in poverty, NGOs, and local governments as well as raw material for the Bio Fuel Project. *“Even thirty million hectares planted for Bio Diesel can completely replace the current use of fossil fuels”.*

The financial returns (Return on Capital Employed) in this project are healthy, which ensures the financial viability of the project.

iii. Outlook for the Industry

Government and private industry in India have begun laying the foundation for a viable biodiesel industry. India is actively involved in implementing a national program for the phasing in of BioDiesel-blended fuel oils, primarily with respect to government-run rail and other transportation systems. India currently imports more than 70% of its crude petroleum diesel needs, which are refined in-country. Several financial incentives are under discussion as part of the national Bio Fuel policy. Various quasi-government organisations, like the Indian Institute of Petroleum, Indian Institute of Technology, New Delhi, Indian Institute of Sciences, Indian Oil Corporation, Indian

Railways, and others have come forward to support to alternative fuel generation programs. The World Bank, the International Finance Corporation, the Asian Development Bank, and the Global Environmental Facility are among the multilateral organisations with interest in renewable energy.

The importance and benefits of Biodiesel has already been appraised by His Excellency, The President of India, The Hon'ble Prime Minister of India, The Hon'ble Chief Minister of AP and many more dignitaries, accredited Institutions, reputed agencies and others in several occasions.

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, and 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 Company has achieved an operating Profit of Rs.487.29 Lacs on the total Income of Rs.4106.33 lacs with a net profit of Rs.168.82 lacs (after deferred tax assets provision) as against the previous year's Operating Profit of Rs. 393.88 lacs on the total Income of Rs. 2440.95 Lacs with a net profit of Rs. 69.78 lacs (after deferred tax assets provision).

In the current financial year the Company has improved the business remarkably with 168.22% increase of total revenues and 241.93% increase of net profits.

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.



CERTIFICATE OF CODE OF CONDUCT FOR THE YEAR 2008-09

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 2008-09.

Place : Hyderabad
Date : 17.08.2009

(Sd/-)
N. Satish Kumar
Managing Director

CERTIFICATE BY THE CHIEF EXECUTIVE OFFICER (CEO)/ CHIEF FINANCIAL OFFICER (CFO)

I, N Satish Kumar, Managing Director of Southern Online Bio Technologies Limited certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2009 and to the best of our knowledge and belief;
 - These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - These statements present a true and fair view of the company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or the operation of internal controls, if any, of which we are aware and the steps that we have taken or purpose to take and rectify the identified deficiencies and;
4. That we have informed the auditors and the audit committee of:
 - a) Significant changes in the internal control during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c) Instances of significant fraud of which we have become aware and the involvement of an employee having a significant role in the company's internal control system.

Place : Hyderabad
Date : 17.08.2009.

Sd/-
N Satish Kumar
CEO

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, 2009, 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 above mentioned 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 : 17.08.2009

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, 2009 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, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2009 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, 2009;
 - (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

PLACE : HYDERABAD

DATE : 29.06.2009

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 Company 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 physical 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.
- 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 lac 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 & principal 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

PLACE : HYDERABAD
DATE : 29.06.2009

P.MURALI MOHANA RAO
PARTNER

Balance Sheet As at 31st March , 2009

Description	Schedule No.	As At 31.03.2009 (Rs.)	As At 31.03.2008 (Rs.)
I. SOURCES OF FUNDS :			
1. Shareholders' Funds :			
a. Share Capital	1	327,138,150	313,583,150
b. Equity Share Warrants		12,734,500	4,265,000
c. Reserves & Surplus	2	286,279,054	234,214,526
2. Loan Funds :			
a. Secured Loans	3	358,017,596	105,881,276
b. Unsecured Loans	4	2,010,074	2,010,074
3. Deferred Income Tax Liability Provision		14,783,589	10,040,807
TOTAL :		<u>1,000,962,963</u>	<u>669,994,833</u>
II. APPLICATION OF FUNDS :			
1. Fixed Assets :	5		
a. Gross Block		341,601,263	326,045,246
b. Less : Depreciation		<u>103,968,501</u>	<u>80,318,805</u>
c. Net Block		237,632,762	245,726,441
d. Capital Work in Progress		174,132,475	45,335,566
2. INVESTMENTS :	6	3,430,970	3,430,970
3. Current Assets, Loans and Advances :			
a. Inventories	7	71,091,339	37,749,865
b. Sundry Debtors	8	108,881,118	85,921,592
c. Cash & Bank Balances	9	131,038,738	2,889,565
d. Loans , Advances & Deposits	10	<u>267,669,544</u>	<u>262,394,587</u>
		578,680,739	388,955,609
Less:Current Liabilities & Provisions :	11	<u>58,317,915</u>	<u>24,218,781</u>
Net Current Assets		520,362,824	364,736,828
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	12	65,403,932	10,765,028
T O T A L :		<u>1,000,962,963</u>	<u>669,994,833</u>
Notes forming part of Accounts	18		

AS PER OUR REPORT OF EVEN DATE
For P.Murali & Co.
Chartered Accountants.

P. MURALI MOHANA RAO
Partner

N. SATISH KUMAR.
Managing Director.

B.H.R. BALAJI
Executive Director.

Place : Hyderabad.
Date : 29.06.2009.

K. RADHA KRISHNA
Director – Finance.

G. ANUPAMA.
Company Secretary.



Profit & Loss Account As On 31st MARCH , 2009

Description	Schedule No.	Period ended 31.03.2009 (Rs.)	Period ended 31.03.2008 (Rs.)
I. INCOME			
Income from Sales		394,782,815	223,271,367
Other Income		272,416	524,136
Increase / Decrease in Stock		15,577,385	20,299,697
TOTAL :		410,632,616	244,095,200
II. EXPENDITURE			
Manufacturing & Other Expenses	13	319,703,950	172,169,005
Personnel Cost	14	11,575,865	10,467,805
Administrative Expenses:	15	8,129,239	8,225,873
Financial Expenses	16	17,090,981	10,935,991
Marketing Expenses	17	5,403,243	2,908,624
Sub Total		361,903,277	204,707,298
Operating Profit		48,729,339	39,387,902
Depreciation		23,649,696	21,868,002
Miscellaneous expenditure written off		369,476	369,476
Profit Before Tax		24,710,167	17,150,424
Provision for Tax		2,808,514	1,943,143
Provision for Fringe Benefit Tax		225,843	282,610
Profit After tax		21,675,810	14,924,672
Deferred Income Tax Liability Provision		(4,742,783)	(6,528,369)
Prior Period Expenses			1,418,727
Profit after deferred tax liability provision		16,933,027	6,977,576
Add : Profit Brought forwarded		10,089,115	3,111,539
Profit Transferred to Balance Sheet		27,022,142	10,089,115
Earnings Per Share		0.66	0.43

AS PER OUR REPORT OF EVEN DATE
For P.Murali & Co.
Chartered Accountants.

P. MURALI MOHANA RAO
Partner

N. SATISH KUMAR.
Managing Director.

B.H.R. BALAJI
Executive Director.

Place : Hyderabad.
Date : 29.06.2009.

K. RADHA KRISHNA
Director – Finance.

G.ANUPAMA.
Company Secretary.

Schedules forming part of the Balance Sheet

1. Share Capital :

Description	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Authorised :		
7,50,00,000 Equity Shares of Rs.10/- each.	<u>750,000,000</u>	<u>750,000,000</u>
Current Year		
a) Issued, Subscribed & Paid-up :		
3,27,13,815 Equity Shares of Rs.10/- fully paid up	327,138,150	
b) Warrants		
1,27,34,500 Warrants convertible to equity shares of Rs. 10/- each. 127,345,000		
Less : Arrears 1,27,34,500 warrants convertible to equity shares of Rs. 9/- each. <u>114,610,500</u>	12,734,500	
Previous year		
3,13,58,315 Equity Shares of Rs.10/- each paid up.		313,583,150
Issued, Subscribed & Paid-up :		
42,65,000 Warrants Convertible to Equity of Rs.10/-each		42,650,000
Less: Arrears 42,65,000 warrants convertible to Equity Shares Rs. 9/- each.		<u>38,385,000</u>
		4,265,000
T O T A L :	<u>339,872,650</u>	<u>317,848,150</u>
2. Reserves & Surplus :		
Profit Brought Forward	21,019,027	14,041,450
Share Premium	248,327,000	213,195,500
PROFIT FOR THE YEAR (After Income Tax Provision and Deferred Income Tax)	16,933,027	6,977,576
T O T A L :	<u>286,279,054</u>	<u>234,214,526</u>

3. Secured Loans :

Description	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Bank of India, B hills - Over Draft (Against Book Debts of ISP Division of the Company)	4,001,536	3,786,546
Bank of India, B Hills - Loans for Flats (Against Hypothecation of Flats of the Company)	4,594,683	4,720,448
Bank of India, B hills - Working Capital (Secured by Inventory of the Company)	47,724,036	40,587,753
Bank of India, B Hills - Term Loan (Secured by Plant & Machinery of the Company)	174,979,030	55,897,479
State Bank of Hyderabad, - Term Loan (Secured by Plant & Machinery of the Company)	53,956,982	-
UCO Bank , Vizag - Term Loan (Secured by Plant & Machinery of the Company)	68,418,369	-
AXIS Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	1,227,770	-
HDFC Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	1,060,867	-
Bank of India - Bolero Vehicle (Hypothecation of Vehicles of the Company)	482,720	775,413
Bank of India - Vehicle (Hypothecation of Vehicles of the Company)	61,602	113,637
AXIS Bank Ltd - Vehicle (Hypothecation of Vehicles of the Company)	1,510,000	-
T O T A L :	<u>358,017,596</u>	<u>105,881,276</u>
4. Un Secured Loans :		
a) Loans from Directors.	2,010,074	2,010,074
T O T A L :	<u>2,010,074</u>	<u>2,010,074</u>

5. DEPRECIATION STATEMENT

S.No.	ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 01.04.2008	Additions during the Year	Deductions during the year	As at 31.03.2009	Upto 01.04.2008	For the Period	Deductions during the year	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
1	Land & Site Development	1,597,009			1,597,009	-			-	1,597,009	1,597,009
2	Building	32,567,886	157,017		32,724,903	809,144	806,156		1,615,300	31,109,603	31,758,742
3	EDP Equipments	69,378,508	8,275,272		77,653,780	66,880,303	9,431,712		76,312,015	1,341,765	2,498,205
4	Plant & Machinery	193,034,562	2,050,190		195,084,752	7,252,686	9,921,781		17,174,467	177,910,285	185,781,876
5	Furniture and Fixtures	4,097,955	54,111		4,152,066	729,038	175,651		904,689	3,247,377	3,368,917
6	Technical Know How	7,896,908			7,896,908	1,139,226	1,579,382		2,718,608	5,178,300	6,757,682
7	Vehicles	1,979,011	1,852,708		3,831,719	194,359	158,186		352,545	3,479,174	1,784,652
8	Office Equipments	1,665,975			1,665,975	531,668	82,167		613,835	1,052,140	1,134,307
9	Cable Laying	13,827,432	3,166,723		16,994,155	2,782,381	1,494,661		4,277,042	12,717,113	11,045,051
10	CWIP	45,335,566	128,796,909		174,132,475	-			-	174,132,475	45,335,566
	T O T A L :	371,380,812	144,352,930	-	515,733,742	80,318,805	23,649,696	-	103,968,501	411,765,241	291,062,007
	Previous Year	249,955,633	282,319,255	160,894,076	371,380,812	58,450,803	21,868,002	-	80,318,805	291,062,007	191,504,830

6. Investments :

Description	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Investments (343097 No of Equity Shares each Rs.10/- Invested in M/s. Southern Biofe Biofuels Pvt. Ltd)	3,430,970	3,430,970
T O T A L :	<u>3,430,970</u>	<u>3,430,970</u>

7. Inventories :

A. Current Assets:

a) Raw Materials	29,221,958	14,315,285
b) Work In Progress	2,055,088	1,555,088
c) Finished Goods	33,821,994	18,744,609
d) Consumables	5,992,299	3,134,883
T O T A L :	<u>71,091,339</u>	<u>37,749,865</u>

8. Sundry Debtors :

(Un Secured considered Good)

Debts outstanding for a period exceeding six months	48,760,737	49,870,788
Other Debts	60,120,381	36,050,804
T O T A L :	<u>108,881,118</u>	<u>85,921,592</u>

9. Cash and Bank Balances :

Cash on Hand	180,713	59,850
Balances with Scheduled Banks	130,819,393	2,827,454
With AP Grameena Vikas Bank.	38,632	2,261
T O T A L :	<u>131,038,738</u>	<u>2,889,565</u>

10.Loans , Advances & Deposits :

A. Current Assets:

a) Pre-paid Expenses	7,662,429	6,119,579
b) Tax Deducted at Source.	2,507,171	2,098,062
c) Deposits	7,499,738	75,120,915

B. Loans & Advances:

a) Advances for Capital Goods	232,539,322	175,450,428
b) Advances	12,183,846	3,605,603
c) Other Advances	5,277,038	-
T O T A L :	<u>267,669,544</u>	<u>262,394,587</u>

11.Current Liabilities & Provisions :

Description	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Sundry Creditors for Capital Goods	47,327,220	1,353,659
Sundry Creditors for Expenses	1,808,502	16,102,427
Outstanding Liabilities		
- Provision for Income Tax.	1,847,950	1,943,143
- Provision for Fringe Benefit Tax.	332,125	262,610
- Provision for Sales Tax.	756,361	1,628,035
- Provision for Service Tax.	1,742,269	418,387
- Provision for Excise Duty	117,312	-
- Provision for Expenditure	4,386,177	2,510,520
T O T A L :	58,317,915	24,218,781

12.Miscellaneous Expenditure :

(to the extent not written off or adjusted)

a) Preliminary / Issue Expenses	9,970,863	21,209,632
Add : Incurred During the year	55,008,381	25,778,312
Less: Preoperative expenses capitalized	-	37,017,080
	<u>64,979,244</u>	<u>9,970,864</u>
b) Deferred Revenue Expenses.	794,164	1,163,640
Less: Written Off During the year	369,476	369,476
	<u>424,688</u>	<u>794,164</u>
T O T A L :	65,403,932	10,765,028

13.Manufacturing & Other Operating Expenses :

Consumables	6,816,813	5,970,655
Consumption of Raw Material	244,835,640	107,626,166
Power and Fuel	9,538,589	7,018,462
Wages	3,494,365	2,120,769
Other Manufacturing Expenses	5,655,906	2,131,844
Bandwidth	47,059,172	44,875,836
Lease Line Charges	148,255	217,392
Cable Rental	102,300	132,979
Cable Laying Expenses	329,796	383,956
Repairs and Maintenance	365,733	383,987
Prior Period Adjustment	46,135	-
Licensing Fee	1,311,245	1,306,959
T O T A L :	319,703,950	172,169,005

14. Personnel Cost :

Description	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Salaries – Staff	3,739,914	4,866,130
Salaries - Directors	6,321,668	3,611,004
Staff Welfare	1,514,283	1,990,671
T O T A L :	11,575,865	10,467,805

15. Administrative Expenses :

Audit Fee	113,841	45,000
AGM & Board Meeting Expenses	61,768	336,926
Electrical Charges	730,304	666,179
Office Maintenance	378,736	261,862
General Expenses	356,186	322,922
Insurance	403,236	607,246
Membership, Books & Periodicals	163,680	195,385
Consultancy Charges	52,704	151,891
Printing & Stationery	465,271	225,273
Postage & Telegrams	111,504	72,995
Rent , Rates & Taxes	1,131,932	2,157,769
Secretarial Expenses	64,451	440,790
Security Expenses	430,832	294,468
Telephone, Mobile & Pager Expenses	1,151,896	1,123,575
Traveling & Conveyance Expenses	2,215,082	1,323,592
Loss on Chits	297,816	-
T O T A L :	8,129,239	8,225,873

16. Financial Expenses :

Bank Charges	253,761	586,307
Interest on Term Loan	7,669,546	5,396,093
Interest on Over Draft	8,845,784	4,350,484
Interest on secured Loans	321,890	603,107
T O T A L :	17,090,981	10,935,991

17. Marketing Expenses :

Advertisements Expenses	72,943	30,717
Collection Expenses	571,479	384,753
Commissions & Discounts	2,787,514	1,552,717
Freight charges	986,790	361,140
Business Promotion Expenses	866,633	475,979
Donations	117,884	103,318
T O T A L :	5,403,243	2,908,624

SCHEDULE- 18

Significant Accounting Policies and Notes to the accounts for the year ended 31st March 2009.

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 recognised 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:

The Equity Share Capital of the company as on 31st March, 2008 is 313, 58,315 Equity Shares of Rs. 10/- each fully paid up and 42,65,000 warrants convertible to Equity shares of Rs 10/-, Rs 1/- fully paid.

During the year:

- 13,25,000 Number of Equity Shares issued to Non-promoters at a price of Rs. 25.90 per shares (including a premium of Rs. 15.90 per share)
- 85,00,000 Number of Warrants (70,00,000 warrants allotted on 30.09.2008 & 15,00,000 warrants allotted on 06.10.2008) convertible to Equity Shares to non promoters at a price of Rs. 25.90 per warrant (including a premium of Rs. 15.90 per warrant) called 10% on value for allotment.
- On 15.12.2008 30,500 warrants allotted to promoters in the previous year were converted to Equity Shares.

The above warrants should be converted into Equity Shares on or before 18 months from the date of allotment, else the entire amount will be forfeited.

2.2 Contingent Liabilities :

1. Bank Guarantees:

The Company has outstanding guarantees and counter guarantees of Rs.46,97,528/- as on 31.03.2009 (previous year ended 31.3.2008 is Rs.26,97,528/-) to bank, in respect of the guarantees given by the bank in favour of The President of India, Govt 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.35,00,000/- 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 Division of Rs.481 Lacs with Bank of India, which is secured against Stock of the company.
- c) Also, the Company has a of Term Loan facility of Rs 583.52 lakhs which is secured by charge on the fixed assets of the Company, personal guarantees of the Directors.
- d) During the financial year the company got sanction of Rs. 5400 Lacs Term Loan and Rs. 2500 Lakhs Working Capital for the Bio Diesel unit -2 at Visakhapatnam under APIIC – SEZ, from Bank of India, State Bank of Hyderabad and UCO Bank through consortium agreement which is secured by way of charge on the fixed assets of the Company and personal guarantees of the Directors..

2.4 Investments

During the year 2004-05 the Company has invested the 3,43,097 Equity Shares of Rs.10/- each fully paid up to the shareholders of Southern Biofe – Biofuels Private Limited as 100% subsidiary company and same is approved in Board of Directors.

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

Statement of Profit and loss for the year ended 31.3.2009

(Rs. In lakhs)

	ISP Division		Bio Diesel Division		Total	
	2009	2008	2009	2008	2009	2008
Revenues	850.17	825.97	3,253.43	1,609.74	4,103.60	2,435.71
Identifiable Operating Expenses	493.63	475.63	2,703.41	1,248.68	3,197.04	1,724.31
Allocated Expenses	278.60	257.22	212.67	178.50	491.28	435.73
Segmental Operating Income	77.94	93.12	337.35	182.55	415.29	275.67
Unallocated Expenses	-	-	-	-	-	-
Profit for the year before Interest	77.94	93.12	337.35	182.55	415.29	275.67
Interest Expenses	11.38	10.26	159.53	99.10	170.91	109.36
Other income	2.45	1.81	0.27	3.43	2.72	5.24
Net profit before taxes and prior period items	69.01	84.67	178.09	86.88	247.10	171.56
Provision for taxation	19.03	10.50	11.32	11.76	30.34	22.26
Prior Period Items	-	14.19	-	-	-	14.19
Net profit after taxes and before exceptional items	49.99	59.99	166.77	75.12	216.76	135.11
Exceptional items	-	-	-	-	-	-
Profit after tax and exceptional items	49.99	59.99	166.77	75.12	216.76	135.11

Geographical segments

(Rs. In Lakhs)

Revenues	March 31,2009	March 31,2008
India	4106.33	2440.95
Total	4106.33	2440.95

2.6 Deferred Tax Asset/ Liability:

- a. Major components of deferred tax arising on account of timing differences in accounting and taxable income are as follows:

	As at 31.3.2009	As at 31.3.2008
(In Rs.)		
Deferred Tax Liability		
a) Opening Balance 01.04.2008	100,40,807	35,12,438
b) Deferred Tax Expense/ Income:		
Depreciation differential	47,93,903	65,28,639
Total (C)	148,34,710	100,40,807

2.7 Foreign Exchange Earnings - NIL -

2.8 Foreign Exchange Outflow

	31.03.2009	31.3.2008
(Rs.)		
Foreign Travel	21,050	-
For Purchases	23,80,351	63,81,831
Membership Fee	1,21,745	1,04,706
Total	25,23,146	64,86,537

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:

	31.03.2009	31.3.2008
Salary & Allowances (Whole Time Director)	63,21,668	36,11,004

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

	31.03.2009	31.3.2008
(Rs.)		
Audit Fees	1,00,000/-	45,000/-
Total	1,00,000/-	45,000/-

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	2008-09		2007-08	
		Qty (kgs / Lts)	Value (Rs. In lacs)	Qty (kgs / Lts)	Value (Rs. In lacs)
A	Licensed Capacity	NA		NA	
B	Installed Capacity	30 TPD		30 TPD	
C	Finished Goods				
	1. Bio Diesel				
	Opening Stock	388,825	116.65	-	-
	Production During the Year	8,929,815	2,748.06	4,294,138	1,288.24
	Sales During the year	8,837,032	2,836.06	3,905,313	1,171.59
	Closing Stock of Bio Diesel	481,608	143.16	388,825	116.65
	2. Glycerin				
	Opening Stock	139,204	34.80	-	-
	Production During the Year	30,873	8.19	162,006	40.50
	Sales During the year	166,210	41.63	22,802	5.70
	Closing Stock of Glycerin	3,867	0.94	139,204	34.80
	3. Cake				
	Opening Stock	1,288,702	51.55	-	-
	Production During the Year	9,205,692	482.81	5,066,955	202.68
	Sales During the year	6,652,142	207.94	3,778,253	151.13
	Closing Stock of Cake	3,842,252	214.68	1,288,702	51.55
D	RAW MATERIAL CONSUMED				
	1. Raw Material – 1				
	Opening Stock	3,867	0.84	743,243	148.65
	Purchased During the Year	-	-	92,518	18.50
	Consumed During the year	3,867	0.84	831,894	166.38
	Closing Stock	-	-	3,867	0.84
	2. Non Edible Oil bearing Seeds				
	Opening Stock	1,364,855	140.56	-	-
	Purchased During the Year	17,412,289	1,969.73	9,966,762	1,045.74
	Consumed During the year	15,973,883	1,818.07	8,601,907	905.18
	Closing Stock	2,803,261	292.22	1,364,855	140.56
	3. Raw Material – 2				
	Opening Stock	8,500	1.75	-	-
	Purchased During the Year	177,390	-	8,500	1.75
	Consumed During the year	185,890	1.75	-	-
	Closing Stock	-	-	8,500	1.75
	4. Raw Material – 3				
	Opening Stock	-	-	-	-
	Purchased During the Year	2,058,065	565.19	8,500	-
	Consumed During the year	2,058,065	565.19	-	-
	Closing Stock	-	-	8,500	-

2.13 DETAILS OF RELATED PARTY TRANSACTION

The company has entered into the following related party transactions as on 31 st March,2009 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
Mr.B. Sreedhara Reddy	Director
Mr. B.H.R.Balaji	Executive Director
Mr. K. Tejesh Kumar	Director
Mr. K. Venkateshwara Rao	Director

b) The following are the related party transactions:

(Rs. In lakhs)

Name of the Party	Relationship	Nature of Transaction	Amount 31.03.09	Amount 31.03.08
Southern Bio Fe Bio Fuels Pvt. Ltd	100 % Subsidiary	Loan		-
Mr. N. Satish Kumar	Managing Director	Remuneration	16.56	8.64
Mr. K. Radha Krishna	Director	Remuneration	10.79	7.16
Mr.B. Sreedhara Reddy	Director	Remuneration	10.79	7.16
Mr. B.H.R.Balaji	Executive Director	Remuneration	10.79	7.16
Mr. K. Tejesh Kumar	Director	Remuneration	1.75	3.00
Mr. K. Venkateshwara Rao	Director	Remuneration	1.75	3.00

2.14 PRIOR PERIOD ITEMS : NIL

2.15 Confirmations were obtained from debtors/ creditors as to the balances receivable/ payable to them as at year ended 31st March, 2009.

2.16 Earning per share:

(Rs.)

PARTICULARS	31.03.2009	31.03.2008
Total No. of Shares outstanding (nos.)	327,13,825	313,58,315
Total No. of Shares outstanding (weighted Average)	335,61,693	
Profit after taxes before exceptional items	216,75,810	1,49,24,672
Profit after taxes after exceptional items	216,75,810	
EPS before Non-recurring and exceptional items (Weighted Average)	0.65	
EPS after Non-recurring and exceptional items (Weighted Average)	0.65	



2.20 Gratuity and Leave encashment etc.

- a) **Gratuity Provision:** During the year the Company has provided for Gratuity on Actuarial Valuation basis to comply with AS 15 (Revised 2005).

2.21 Previous year figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 18

AS PER OUR REPORT OF EVER DATE
for P. MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

P. MURALI MOHANA RAO
Partner

N. SATISH KUMAR
Managing Director

B.H.R.BALAJI
Executive Director

K. RADHA KRISHNA
Director – Finance

G.ANUPAMA
Company Secretary

PLACE : HYDERABAD
DATE : 29.06.2009



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009

PARTICULARS	Year Ended 31-03-2009 (Rs in Lacs)	Year Ended 31-03-2008 (Rs in Lacs)
A . CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit /(Loss) before tax & extraordinary items	247.10	171.50
Adjustments for:		
Depreciation	236.50	218.68
Written off Expense	3.69	3.69
Interest	170.91	109.36
Operating Profit before working capital charges	<u>658.20</u>	<u>503.23</u>
Increase in Loans and Advances	(52.75)	(2,140.38)
Trade and other receivables	(229.60)	(412.06)
Inventories	(333.41)	(163.64)
Trade payables	310.65	116.68
Cash generated from operations	353.08	(2,096.17)
Interest paid	170.91	109.36
Cash flow before extraordinary items - (A)	<u>182.17</u>	<u>(2,205.52)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Capital Work in Progress	(1,287.97)	(453.36)
Purchase of Fixed Assets	(155.56)	(760.90)
Net cash used in investing activities - (B)	<u>(1,443.53)</u>	<u>(1,214.25)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Increase / decrease in Secured Loans	2,521.36	286.11
Misc Expenses	(550.08)	112.39
increase in Share Application amount	220.25	896.75
increase in Share Premium amount	351.32	2,131.96
increase in unsecured Loans	-	15.00
Net Cash used in Financing activities - (C)	<u>2,542.85</u>	<u>3,442.21</u>
Net increase in cash and cash equivalents - (A+B+C)	1,281.49	22.44
Cash and Cash equivalents as at (Opening Balance)	28.90	6.46
Cash and Cash equivalents as at (Closing Balance)	1,310.39	28.90

AS PER OUR REPORT OF EVEN DATE
for P. Murali & Co.
Chartered Accountants.

FOR AND ON BEHALF OF THE BOARD

P. MURALI MOHANA RAO
Partner

N. SATISH KUMAR
Managing Director

B.H.R. BALAJI
Executive Director

Place : Hyderabad
Date : 29.06.2009

K. RADHA KRISHNA
Director - Finance

G.ANUPAMA
Company secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details		
Registration Number		01-030463
State Code Number		01
Balance Sheet Date		31st March 2009
II. Capital Raised During the Year (Amount in Rs Thousands)		
Public Issue		NIL
Right Issue		NIL
Bonus issue		NIL
Private Placement		NIL
III. Position of Mobilization and Deployment of Funds (Amount in Rs Thousands)		
Total Liabilities		1000963
Total Assets		1000963
Sources of Funds		
Paid-up Capital		339873
Reserves & Surplus		286279
Secured Loans		358018
Unsecured Loans		2010
Deferred Income Tax Liability		14784
Application of Funds		
Net Fixed Assets		411765
Investments		3431
Net Current Assets		520363
Miscellaneous Expenditure		65404
Accumulated Losses		NIL
IV. Performance of Company (Amount in Rs Thousands)		
Turnover		410633
Total Expenditure		388957
Profit /Loss Before Tax +(-)		24710
Profit /Loss After Tax +(-)		21676
Earnings per Share in Rs		0.66
Dividend Rate %		NIL
V. Generic Names of principal products/ services of Company		
Item Code No. (ITC Code)		NIL
Product Description		ISP Services & Biodiesel

For and on behalf of the Board of Directors

N.Satish Kumar
Managing Director

K.Radha Krishna
Director - Finance

B.H.R. Balaji
Executive Director

G Anupama
Company Secretary

Place : Hyderabad
Date : 29.06.2009

Southern Biofe Biofuels Pvt. Ltd.

7th Annual Report

2008 - 09

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 Seventh Annual Report of the company together with the Audited accounts for the year ended 31st March, 2009.

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.24,00,000/- or more per annum or Rs.2,00,000/- 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.

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

SD/-
N.Satish Kumar
Director

SD/-
K.Radha Krishna
Director

PLACE : HYDERABAD

DATE : 17.08.2009

Southern Biofe Biofuels Pvt. Ltd.

SECRETARIAL COMPLIANCE CERTIFICATE

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, 2009. 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 Five times on 30.06.2008, 19.08.2008, 26.09.2008, 23.12.2008 and 23.01.2009 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, 2008 was held on 30th

September, 2008 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. One Extra-ordinary General Meeting was held during the financial year 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.
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) Delivered Certificates on allotment of shares and there was no transfer or transmission 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

Southern Biofe Biofuels Pvt. Ltd.

- 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 issued 103 Equity Shares during the financial year under scrutiny and complied with the provisions of the Act.
- 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.

Place : Hyderabad

N. Muneyya

Date : 17.08.2009 Practising Company Secretary
C.P.No: 3489

Southern Biofe Biofuels Pvt. Ltd.

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, 2009.

SrNo.	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 2007-2008	22.11.08	No	Yes
2.	Form20B	159	Annual Return for the year 2007-2008	02.12.08	No	Yes
3.	Form 66	383 A	Compliance Certificate for the year of 2007-2008	22.11.08	No	Yes
4.	Form 2	75	Return of Allotment	18.02.09	Yes	No
5.	Form 23	192	Registration of Special Resolution	18.02.09	Yes	No

Place : Hyderabad
Date : 17.08.2009

N. Muneyya
Practising Company Secretary
C.P.No: 3489

Southern Biofe Biofuels Pvt. Ltd.

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, 2009. 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, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2009 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, 2009;

(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 PARTNER

PLACE : HYDERABAD

DATE : 15.06.2009

Southern Biofe Biofuels Pvt. Ltd.

BALANCE SHEET AS AT 31.03.2009			
Particulars	Schedule No's	Year Ended 31.03.2009 Rupees	Year Ended 31.03.2008 Rupees
I. SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
a. Share Capital	1	3,432,000	3,430,970
LOAN FUNDS			
a. Un Secured Loans		1,436,775	1,436,775
TOTAL		<u>4,868,775</u>	<u>4,867,745</u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
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
CURRENT ASSETS LOANS & ADVANCES			
Current Assets , Loans & Advances		124,166	123,136
Less: Current Liabilities and provisions		97,892	97,892
NET CURRENT ASSETS		26,274	25,244
MISCELLANEOUS EXPENDITURE (To the extend not written off or adjusted)		35,525	35,525
TOTAL		<u>4,868,775</u>	<u>4,867,745</u>
NOTES ON ACCOUNTS	2		

AS PER OUR REPORT OF EVEN DATED

FOR AND ON BEHALF OF THE BOARD

For P.MURALI & CO.,
Chartered Accountants

Partner

N. SATISH KUMAR
DirectorK. RADHA KRISHNA
Director.

Place : Hyderabad

Date : 15.06.2009

Southern Biofe Biofuels Pvt. Ltd.

Schedule - 1

SHARE CAPITAL

PARTICULARS	Year Ended 31.03.2009 Rupees	Year Ended 31.03.2008 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	3,430,970
TOTAL	<u>3,432,000</u>	<u>3,430,970</u>

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 principals.

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 of the attributable expenses.

B. NOTES ON ACCOUNTS :

1. Remuneration to Auditors as Audit Fee is 5,515/- (Previous year Rs. 5,618/-)
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

4. There are no dues to SSI Units outstanding for more than 30 days.
5. 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.

Southern Biofe Biofuels Pvt. Ltd.

6. The figures have been regrouped wherever necessary.
7. The figures have been rounded off to the nearest rupee.

SIGNATURES TO SCHEDULE 1 -2

AS PER OUR REPORT OF EVER DATE

FOR AND ON BEHALF OF THE BOARD

for P. MURALI & CO.,
CHARTERED ACCOUNTANTS
Partner

for SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED

N. SATISH KUMAR
Director

K. RADHA KRISHNA
Director

PLACE : HYDERABAD

DATE : 15.06.2009

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	31-03-2009
2 Shares of subsidiary held by the Company on A Number and face value B Extent of Holding	31-03-2009 343,097 of Rs. 10/- each 100%
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 A For the financial year ended on 31-03-2009 B For the previous financial year since it become a subsidiary	NIL 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 A For the financial year ended on 31-03-2009 B For the previous financial year since it become a subsidiary	NIL 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 of the afore said financial year of the subsidiary and the end of the holding company's financial year in respect: a. the subsidiary fixed assets b. its investments c. money lent by the subsidiary company d. the money barrowed by it for any purpose other than that meeting current liabilities	As the financial year of both holding and subsidiary company Companies coincide, there are no particulars to furnish



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 **Eleventh Annual General Meeting** of the Company to be held on Wednesday, the 30th day of September, 2009 at 11.30 A.M at Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075 and at any adjournment thereof.

Signed this..... day of _____ 2009.

Address

Signed

* Applicable for investors holding shares in electronic form.

- NOTE :
- a. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
 - b. Proxy need not be a member.
 - c. 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.

.....cut here.....

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 **Eleventh Annual General Meeting** of the Company to be held on Wednesday, the 30th day of September, 2009 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 :
- 1) To be signed at the time of handing over this slip.
 - 2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.