



SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

(Comprising Letter of Offer for the Rights Issue Component and Offer document for the Public Issue Component)

(Originally incorporated as M/s Southern Online Services Private Limited on November 9, 1998 with Registrar of Companies, Andhra Pradesh at Hyderabad and subsequently converted into a Public Limited Company on January 4, 2000. The name of the Company has been changed to Southern Online Bio Technologies Limited on March 31, 2004).

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Composite Issue of 1,71,00,000 Equity Shares of Rs. 10/- each aggregating Rs. 1710 Lacs comprising of Rights Issue of 32,59,084 Equity shares issued for cash at par on a Rights basis to the existing equity shareholders of the Company in the ratio of 4 equity shares for every 7 equity shares held on August 18, 2005 (the Record date) and Public Issue of 1,38,40,916 Equity shares issued for cash at par.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on page no. 5 to 9 of this Offer document.

ISSUER'S ABSOLUTE RESPONSIBILITY

Southern Online Bio Technologies Limited, having made all reasonable enquiries, accepts responsibility for, and confirms that this Offer document contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Offer document is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are currently listed on The Hyderabad Stock Exchange Limited (HSE) and The Bangalore Stock Exchange Limited (BgSE). The existing Equity Shares are proposed to be listed on The Stock Exchange, Mumbai (BSE). The Equity Shares issued through this Offer document are proposed to be listed on BSE, the Designated Stock Exchange, HSE and BgSE. The in-principle approvals have been received from BSE, HSE and BgSE for listing of the Equity Shares vide their letters dated May 26, 2005, May 17, 2005 and May 26, 2005 respectively.

LEAD MANAGER TO THE ISSUE



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REGISTRAR TO THE ISSUE



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ISSUE PROGRAMME

Rights Issue

RIGHTS ISSUE OPENS ON	THURSDAY, SEPTEMBER 8, 2005
LAST DATE FOR RECEIVING REQUESTS FOR SPLIT APPLICATION FORMS	THURSDAY, SEPTEMBER 22, 2005
RIGHTS ISSUE CLOSES	FRIDAY, OCTOBER 7, 2005

Public Issue

ISSUE OPENS ON : WEDNESDAY, SEPTEMBER 14, 2005	ISSUE CLOSES ON : SATURDAY, SEPTEMBER 24, 2005
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DEFINITIONS AND ABBREVIATIONS

Conventional/General Terms

Act	The Companies Act, 1956
BSE	The Stock Exchange, Mumbai
BgSE/BGSE	The Bangalore Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996, as amended from time to time
Directors	The Directors of the Company
Equity Shares	The Equity Shares of face value of Rs. 10/- each of the Company
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed thereunder.
FII	Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 registered with SEBI and as defined under FEMA (Transfer or Issue of security by a person resident outside India) regulations, 2000 and under other applicable laws in India.
GAAP	Generally Accepted Accounting Practices
HSE	Hyderabad Stock Exchange
IT Act	The Income Tax Act, 1961, as amended from time to time
RBI	Reserve Bank of India
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI, as amended from time to time.

Offering related terms

Applicant	Any prospective investor who makes an application for shares in terms of this Offer document
Application Form	The form in terms of which the investors shall apply for the Equity Shares of the Company
"Composite Issue" or "Issue"	Issue of 1,71,00,000 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 1710 Lacs comprising of Rights Issue of 32,59,084 Equity shares issued for cash at par on a Rights basis to the existing equity shareholders of the Company in the ratio of 4 equity shares for every 7 equity share held on August 18, 2005 (the Record date) and Public Issue of 1,38,40,916 Equity shares issued for cash at par by Southern Online Bio Technologies Limited.
Issuer/Company/SBT/Southern Online	Southern Online Bio Technologies Limited
Issue Closing Date	The date on which the issue closes for subscription by the public
Issue Opening Date	The date on which the issue opens for subscription by the public
Issue Period	The period between the Issue opening date and Issue closing date and includes both these dates.
Issue Price	The price at which the Equity Shares will be issued by the Company under this Prospectus
Prospectus/Offer document	Refers to this document, in terms of which the present Issue of Equity Shares are proposed to be made, to be filed with ROC
Registrar	Registrar & Transfer Agent, viz. Aarthi Consultants Private Limited
Stock Exchanges	BSE, HSE and BGSE, referred to collectively

Company/ Industry-related Terms

Auditors	The statutory auditors of the Company namely M/s. P. Murali & Co, Chartered Accountants.
Articles	The Articles of Association of Southern Online Bio Technologies Limited
Board	The Board of Directors of Southern Online Bio Technologies Limited
DOT	Department of Telecommunications
DLT	Digital Linear Tape
Kbps	Kilo Bytes Per Second
LAN	Local Area Network
Licensor	Dept. of Telecommunications, Ministry of Communications and Information Technology, Government of India,
Licensee	Southern Online Bio Technologies Ltd
Memorandum	The Memorandum of Association of Southern Online Bio Technologies Limited
Financial Year / Fiscal Year /FY	The 12 months ended March 31, of a particular year unless otherwise specified
ISP	Internet Services Provider
Mbps	Mega Bytes Per Second
PSTN	Packet Switching Telephone Network
POP	Point to Point Protocol
RoC	Registrar of Companies, Andhra Pradesh, Hyderabad
RF	Radio Frequency
TRAI	Telecom Regulatory Authority of India
VOIP	Voice over Internet Protocol
VSNL	Videsh Sanchar Nigam Ltd.

Abbreviations

AGM	Annual General Meeting of the Company
A. Y.	Assessment Year
ASTM	American Society for Testing and Materials
DP	Depository Participant
EGM	Extra-ordinary General Meeting of the Company
EMS	Environmental Management System
EPCG	Export Promotion & Credit Guarantee Scheme
EPS	Earnings Per Share
EU	European Union
FI	Financial Institution
FII	Foreign Institutional Investors
GOI	Government of India
HUF	Hindu Undivided Family
IPO	Initial Public Offer
ISO	International Standards Organization

IISc	Indian Institute of Science
IIT	Indian Institute of Technology
KLPD	Kilo Litre per day
L/C	Letter of Credit
MF	Mutual Fund
NAV	Net Asset Value
NRIs	Non Resident Indians as defined under FEMA
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
SuTRA	Sustainable Transformation of Rural Areas
STPL	Sustainable Transformations Private Limited
TNW	Total Net Worth
TPD	Tons per day
VCF	Venture Capital Fund

FORWARD-LOOKING STATEMENTS, CERTAIN CONVENTIONS AND MARKET DATA

In this Offer document, the terms "we", "us", "our Company", "the Company", "SBT" unless the context otherwise implies, refer Southern Online Bio Technologies Limited.

For additional definitions used in this Offer document, see the sections 'Definitions and Abbreviations' on page no. 1 of this Offer document. In the section entitled "Description of Equity shares and Terms of Articles of Association of Southern Online Bio Technologies Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Offer document was obtained from internal Company reports, data and industry publications. Industry publication data generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Offer document is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

This Offer document contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward looking statements". Similarly, the statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us, that could cause actual results to differ materially from those contemplated by the relevant forward looking statements.

Important factors that could affect our results to differ materially from our expectations includes, inter alia, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in laws and regulations in the education and information technology industry and changes in competition in the said industry.

For further discussion of factors that could cause our actual results to differ, refer to the section entitled "Risk factors" beginning on page no. 5 of this Offer document. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, the Lead Manager, nor any of their affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

In this Offer document, unless the context otherwise requires, all references to the word "Lakh" or "Lac", means "One hundred thousand" and the word "Crore" means "ten million". In this Offer document, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Offer document, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to "Rupees" and "Rs." in this Offer document are to the legal currency of India.

RISK FACTORS

RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF

A. INTERNAL TO THE COMPANY

Investors should consider carefully the following risk factors, together with the other information contained in this Offer document, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and the Investor may lose all or part of their investment.

Risk related to ISP Business

1. The tariffs for the ISP services rendered by the Company are subject to change by TRAI, which shall be binding on the Company. Any adverse changes in the tariff structures by TRAI may affect the revenues of the Company adversely.

MP: There has been intense competition in the ISP business in the past few years. However, the Company has withstood the competition and has remained profitable since Inception. Further, the Telecom sector is being gradually deregulated over the past few years and the tariffs are determined by market forces. Hence, further changes in tariffs may not significantly impact the Company's bottom-line.

2. The ISP License under which the Company is entitled to offer the ISP services has been issued on non-exclusive basis, i.e. other vendors may be granted License for the same service in the same area at the discretion of the Licensor. In case further Licenses are issued, the competition may increase and the profitability of the Company may be impacted.

MP: ISP Licences were issued to several Private Operators since the liberalization of Issue of Licences. This lead to competition and reduction of tariffs. However, day by day the usage of Internet has been increasing multifold. Moreover, due to recession in IT business since 2000 several Companies stopped the business of ISP Services. Further from 2003 onwards there is much improvement in IT Market. The profitability of the Company has increased in the year ended March 31, 2005 as compared with preceding period in FY 2003-04 with revenue from internet and other services aggregating Rs. 400.19 lacs and Profit before taxation at Rs. 24.97 lacs.

3. The ISP Agreement provides for a right to the Licensor to take over the entire services, equipment and networks of the Company, in part or in whole of the Service Area, or revoke/terminate/suspend the License in the interest of national security or in the event of a national emergency/war or low intensity conflict or any other eventuality in public interest as may be declared by the Government of India.

MP: The said clause is a standard clause in all the ISP License Agreements and such an event has not yet occurred. However, in case the said events transpire, the Company's business may be adversely affected and may face closure.

4. As per Schedule B of the ISP License Agreement, the Company is required to pay a License fee of Re 1 per annum commencing from November 1, 2003. However, the Telecom Authority is entitled to impose License fee including Universal Service Obligation (USO) levy anytime during the validity of the Licensee, which decision with its terms and conditions, shall be binding on the Licensee. In case of such levies of increase thereof, the profitability of the Company would be adversely affected.

MP: In the event the License fees are increased, the Company would be liable to meet the additional obligation and the Company's profitability would be lower to the extent of the change in the License fees.

5. The Company has not been able to meet the projections as stated in the IPO offer document. The promises given in the offer document and the actual performance is given as under:

Rs. In lacs

For the year ended March 31	Particulars	Total Income	PAT	Dividend (%)
2001	Projected	890.00	416.38	--
	Actual	332.13	64.25	--
	Variation %	62.68	84.57	--
2002	Projected	1112.50	474.79	20
	Actual	309.04	5.97	--
	Variation %	72.22	98.74	100
2003	Projected	1390.63	638.61	30
	Actual	307.10	4.22	--
	Variation %	77.92	99.34	100

MP: The reasons for the variation in the actual performance are given in the section entitled 'Promise vs. Performance' mentioned on page no. 100 of this offer document.

Risk related to proposed Bio Diesel Project

1. There has been a delay in the implementation of the proposed bio diesel project. The project was earlier stated for commencement of commercial production in December 2005, however, due to the delay, the commencement of commercial production would now happen in March 2006. Besides, the Bio Diesel project is proposed to be entirely funded by the proceeds of the public/rights issue. Due to delay in commencement of commercial production, the profitability of the Company for FY06 would be adversely affected.

MP: The delay in the implementation of the project is due to delay in the proposed public issue. There is, however, no cost escalation because of the delay.

2. The Company is promoted by first generation entrepreneurs having no prior experience in Bio diesel business, which is unrelated to the present business activities; the investors will be subjected to all consequential risk associated with such ventures.

MP: Mr. N. Satish Kumar, Mr. B. H. R. Balaji, Mr. B. Sreedhara Reddy and Mr. K. Radha Krishna have been managing the Company successfully since 1999. They have a 5 year track record of managing the ISP business profitably. The Company is being aided by the technology service providers, namely, Lurgi who is a world leader in the bio-diesel technology. The Company also has Dr. Emmanuel D' Silva, PhD, on the Board of Directors who has over 5 years experience in bio-diesel technology. Further, the Company has an Advisory Committee comprising various professionals like Dr. Christian A. Schmidt, Prof. L.M.Das, Prof. Udipi Srinivasa, Dr. Sudhir Sighal, Dr.T.N.B.Kaimal in the fields of renewable energy and petroleum. Hence, the Company does not envisage any difficulty in implementation of the project.

The Bio Diesel technology is already in use in developed countries like Austria, France, Germany, Italy, and the United States who are among the many countries that have large Bio Diesel programs. The American Society for Testing and Materials (ASTM) has enacted standards that are used worldwide for Bio Diesel standards. ASTM standards would be used in Bio Diesel production in this project.

3. The Product is first of its kind, the marketability of the product is to be established, and the Company is yet to derive revenue from its sales.

MP: The Company has already approached the Indian Railways, who are largest users of regular Conventional Diesel in the Country, who use 2 Million Kilo Liters of regular Conventional Diesel in a Year, which is 4% of the entire country's usage and Municipal Corporation of Vishakapatnam, which uses 20,000 liters of Diesel per month. Indian Railways has also given their interest in writing to purchase bio-diesel, subject to lesser price than regular conventional Diesel and quality as per ASTM standards. Apart from Indian Railways, the Company has approached the private users of various business segments like Construction, Hospitals etc. and received their letter of interests.

4. The project is significantly dependent on adequate and timely availability of Pongamia and Jatropa seeds which are used

for the manufacture of Bio Diesel. Non-availability or short supply of these seeds would adversely affect the plans of the Company. Also, the availability of this agricultural produce could be affected by various natural factors such as inadequacy of rainfall, attacks from pests, natural calamities such as droughts or floods, etc.

MP: The Project requires approx 10,000 tonnes of seed oil per annum based on the installed capacity, which is adequately available in Andhra Pradesh. Consequently, the Company does not envisage any difficulty in procurement of the requisite raw material. Also, the proposed manufacturing facility for bio diesel can use multiple feed stock like all kinds of vegetable seeds, acid oils, fatty acids and used cooking oils. Besides, the Company has entered into an agreement with Sustainable Transformations Private Limited (SuTRA), Bangalore, which is supported by Indian Institute of Sciences, Bangalore for supply of 400 tons of Pongamia / Jatropha / Neem / Mahuva seeds oil per month. SuTRA, which involved since a decade in promoting biofuel crops and seed crushers across the Country, has already installed more than 50 seed crushing units for Tribal Groups, NGO's and SHG's across the States of Andhra Pradesh and Maharastra and has well connected linkages with growers of seeds for fuel oils, traders of seeds, oil and cake, etc,. As an alternative arrangement, the Company has already tied up with Sunshine Chemicals (M) SDN BHD, Malaysia, for the supply of vegetable oil for the entire quantity of raw material requirement. In case of shortfall in availability of adequate raw material in India, the Company would import the quantity required.

5. The funding for the proposed expansion project of the Company is to be carried out from the Issue proceeds. Any delay in IPO/unsuccessful IPO will have an impact on the expansion plans of the Company.

MP: The management does not foresee any event that would lead to a delay in the IPO or an unsuccessful IPO. However, in case the IPO does not go as planned, the Company will make alternative arrangements like availing of fresh loans from bank and also internal accruals.

6. The working capital requirement for the proposed Bio Diesel project has not yet been tied up. In the event that the Company is unable to obtain requisite bank financing, the revenues from the Bio Diesel project may be adversely affected.

MP: The Company would be making an application for obtaining bank financing closer to the date of commissioning of the Bio Diesel unit. However, the Company does not envisage any difficulty in obtaining the requisite bank financing for the Bio Diesel project.

7. The Bio Diesel project is the first of its kind in India and the sustainability of the product, the technology for manufacture has not yet been proven.

MP: Even though the Product and Technology is first of its kind in India, it has already been proven in other countries such as USA, France, Germany, Italy etc. The Company is adopting proven technology from well reputed company namely LURGI AG, a German based 100 years plus old company, which has implemented 13 plus bio diesel production units across the world. For instance, a Biodiesel Unit based in Marl, Germany having a capacity of 100,000 tons per year has been running successfully for more than 2 years using the same technology provided by LURGI AG, Germany. As such, the success of the Project and the technology are assured. Several engine manufacturers such as Scoda, Caterpillar, Volkswagen have certified bio diesel and Mercedes Benz has successfully driven its car for 10000 Kilo Meters in India. Also, as part of a pilot project of Indian Railways, Shatabdi Express successfully used bio diesel as a fuel for the trial run from Delhi to Amritsar. The Andhra Pradesh Pollution Control Board has recommended the usage of bio diesel in diesel engines as it is an eco friendly fuel and reduces pollution.

8. The off take of Bio Diesel is dependent upon the Company supplying the Bio Diesel at prices lower than the retail price of Petroleum based Diesel. Petroleum based Diesel is presently at existing high price levels due to high excise levies. In the event that the excise duty levy on Petroleum based diesel is reduced below the price of Bio-Diesel, the Company may be unable to find buyers to sell the product, which would adversely affect the sustainability of the project.

MP: The Company does not foresee any difficulty in supplying bio-diesel at a price lower than the price of petroleum based diesel. However, if the production costs increase significantly, then the profitability of the Company may be adversely affected.

9. The Company may import certain raw materials for manufacture of Bio diesel. Since the cost of these raw materials is denominated in US Dollars, any adverse fluctuations with respect to the exchange rate of US Dollars for Indian Rupee is likely to affect Company's input cost. The Company does not have the policy to hedge foreign currency exposure. Therefore the Company is exposed to possible losses due to currency fluctuations.

MP: In the event there is significant adverse fluctuation, the Company's performance may be adversely affected.

10. Pending utilization in the project, the proceeds of the issue will be invested in Govt. Securities and/or Bank Deposits in short and medium term. This deployment may not result in adequate returns for the Company.

B. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. The Company operates in a globally competitive business environment. Growing competition may force the Company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

MP: The Company aims to keep abreast with the dynamic business scenario and has broad-based its product mix.

2. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the Company will import its raw material and/or export its products to, will have an impact on the Company's profitability.

MP: Whenever such policy changes affect the Company's business, the Company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain its business.

3. Terrorist attacks and other acts of violence or war involving India and other countries where the Company sells its products and buys raw materials could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

MP: Terrorist attacks, such as the one that occurred in New York and Washington D.C., on September 11, 2001 and New Delhi on December 13, 2001, and other acts of violence or war, including those involving India or other countries, may adversely affect Indian and other financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately affect the Company's business, financial conditions and results of operations. Also as a result of such events, India, or certain other countries may enter into armed conflict with other countries. The consequences of any potential armed conflicts are unpredictable, and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operations.

4. The Company's performance is linked to the stability of policies and political situation in India as well as the countries with which it will have business relations.

Notes:

1. Pre-Issue Net worth of the Company as on March 31, 2005 is Rs. 796.16 Lacs.
2. Size of the Present Issue - Composite Issue of 1,71,00,000 Equity Shares of Rs. 10/- each aggregating Rs. 1710 Lacs comprising of Rights Issue of 32,59,084 Equity shares issued for cash at par and Public Issue of 1,38,40,916 Equity shares issued for cash at par.
3. The average cost of acquisition of Equity Shares of the Promoters is Rs.10/- per share.
4. Book value of the Equity Shares of the Company as on 31st March 2005 is Rs. 13.97.
5. The name of the Company has been changed during the past three years as specified under the heading "Changes in Name" within the section "History & Corporate Structure".
6. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. 31 before making an investment in this Issue.
7. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with The Stock Exchange, Mumbai (BSE) (the Designated Stock Exchange).
8. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
9. The Company has not provided for the following contingent liabilities as on 31.3.2005

Particulars	(Rs. In Lacs)
Counter Guarantee given to Bankers in respect of guarantees issued by the Bankers in favour of the President of India, acting through the Telegraph Authority.	10.00

10. Related party transactions are given below:

Rs. In Lacs

Name of related party	Nature of Transaction	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
N Satish Kumar	Remuneration	3.51	4.00	2.55	3.36	4.00
K.Radha Krishna	Remuneration	3.51	4.00	2.55	3.36	4.00
B.Sreedhara Reddy	Remuneration	3.51	4.00	2.55	3.36	4.00
B.H.R.Balaji	Remuneration	3.51	4.00	2.55	3.36	4.00
C M Ramesh*	Remuneration	6.00	6.00	6.00	-	-
Y. Anand Swaroop	Sitting fees	-	-	0.06	0.07	0.05
B. Suresh	Sitting fees	-	-	0.04	0.07	0.05
K. Tejesh Kumar	Sitting fees	-	-	0.03	0.01	0.02
K. Venkateshwara Rao.	Sitting fees	-	-	-	-	0.02
Emmanuel H.D'Silva	Sitting fees	0.04				
T. Rohini Reddy	Sitting fees	0.03				
V. Durga Prasad	Sitting fees	-	-	-	-	0.03
Southern Biofe Biofuels Pvt. Ltd.	Investment in share capital	-	-	-	-	34.31
N. SATISH KUMAR	Unsecured Loan	---	--	7.05	7.55	6.00

* Mr. C. M. Ramesh ceased to be a Director of the Company w.e.f. 17.03.2003.

SUMMARY

Summary of Business of the Issuer Company

You should read the following summary together with the risk factors and the more detailed information about the Company and financial data included in this Offer document.

Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, see "Certain Conventions; Forward Looking Statements; Market Data" in this Offer Document.

The Industry

A. ISP Business (Current Operations)

The Company presently operates as an ISP service provider in the state of Andhra Pradesh. The provision of internet services was commenced by the state-owned Videsh Sanchar Nigam Limited (VSNL) who launched Internet Services in India in August 1995. For the first four years, VSNL was the sole provider of Internet Services in the Country. In November 1998, the Government ended VSNL's monopoly and allowed provisioning of Internet Services by Private Operators. The terms and Conditions of the ISP's License were very liberal with no License Fee and allowed unlimited number of players. ISPs could set their own tariffs and even their own International Gateways.

DoT issues three types of Licenses - Category 'A' for all-India operations; Category 'B' for metros and state - level circles, and Category 'C' for medium and small cities (SDCAs).

Since 1995, a number of countries have permitted VOIP as a technology option to the classical PSTN as well as Internet Telephony so as to provide a cheaper alternative to classical PSTN calls. 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.

B. Biodiesel Business (Proposed Project)

Besides the above line of business, the Company is foraying into the field of bio diesel which forms part of the renewable fuels. India produces about 30% of its annual crude oil requirement of approx 105 million tons. For the balance 70%, the country relies on imports. The transportation sector accounts for almost 50% of the total crude oil consumed. According to estimates, the demand for diesel will touch 77.6 million tons by 2006-2007. Dependence on conventional petroleum based fuels has endangered the environment and ecology with disastrous consequences to natural resources. It is estimated that, at this rate well before the end of the new millennium the conventional sources of energy will be exhausted. The environmental degradation and socio economic pressures would aggravate the position.

The above situation has prompted various European and other countries to engage in the production of bio-fuels on sustainable basis. Various multilateral agencies like World Bank and Asian Development Bank have pledged to provide the resources necessary to achieve the goal of sustainable development of bio-fuels.

The Indian Government is also planning to bring out a National Policy on Biofuels. It is contemplating setting up a National Biofuels Development Board. India also has a tropical advantage and several species capable of giving oil-bearing seeds are known to grow. *Jatropha curcas* (also known as Ratanjot, Wild Castor, Jangli Erandi) and *Pangomia pinnata* (also known as Karanj, Honge) are two such trees, which can thrive on any type of soil, need minimum input and management, and have low moisture demand. It is estimated that currently about 100 million-hectares has been designated as wasteland (mostly under the control of the Government or its agencies) and presently these are not under regular farming. These can be used for cultivation of oil bearing seeds.

Bio diesel is produced by transesterification of most vegetable oils and methanol. Broadly, biodiesel has a higher cetane number than diesel, which contributes to smoother engine running, and a lower carbon number due to oxygen in the molecule. Bio-diesel blends upto 20% with petroleum based diesel can be used in conventional engines designed after 1993 with no engine modifications. Blends from 5% up to pure bio-diesel of 100% have been in use in many countries. The high percentage blend requires minimal engine modifications. The use of bio-fuels such as anhydrous ethanol and bio-diesel will minimize the dependence on oil imports to some extent and reduce the harmful vehicular emissions and also improve the rural economy.

Bio-diesel is getting wide acceptance and government support since it is a renewable source of energy and is eco-friendly and also promotes rural employment. Bio-diesel can be used in IC engines with little or not engine modification. Bio-diesel has physical properties very close to conventional diesel.

The Company's Business

The Company was one of the first ISPs to commence operations in the State of Andhra Pradesh. The Company provides internet services such as Dialup service, Lease lines, web hosting services, dedicated and collocated servers, FTP services.

The Company has more than 10,000 dial-up customers and around 120 corporate customers to its database. Valued customers include Osmania University, JNTU, , A. P. State Anti-Corruption Bureau, AP Forensic Lab, Society for elimination of Rural Poverty, Biological-E Ltd, Value Labs, Talluri Technologies, Brigade Corporation, Navionivs Technologies Ltd etc. to name a few.

Considering the opportunities in the field of production and supply of alternative fuels to petroleum based fuels, the promoters have decided to diversify into manufacture and supply of bio - diesel. Bio - diesel is an alternative fuel which is derived from non edible vegetable seed oils such as Pongamia, Jatropha, etc.

Offering Details

Equity Shares offered: Fresh Issue by the Company	1,71,00,000 Equity Shares of face value of Rs.10/- each constituting 75% of the fully diluted post issue paid up capital
Comprising of: Rights issue component Public issue component	32,59,084 Equity Shares of face value of Rs.10/- each 1,38,40,916 Equity Shares of face value of Rs.10/- each
Of Which Promoters Contribution Reservation on competitive basis for FIIs/NRIs	27,68,184 Equity Shares of face value of Rs.10/- each 40,00,000 Equity Shares of face value of Rs.10/- each
Net offer to the public	70,72,732 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding prior to the Issue	57,03,397 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	2,28,03,397 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please see section entitled 'Objects of the Issue' on page no. 22 of this Offer Document for additional information.

*: The Company has received permission from the Reserve Bank of India to allot shares to NRIs/FIIs vide RBI letter dated March 15, 2005.

Summary of Financial Data

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and as described in the Auditor's Report of M/s. P. Murali & Co, Chartered Accountants dated July 1, 2005 in the section entitled "Financial Information". This financial data should be read in conjunction with the Company's restated financial statements for each of Fiscal 2001, 2002, 2003, 2004 and 2005, including the Notes thereto and the Reports thereon, which appears under Para on "Auditors Report" in this Offer document, and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Summary of Profit and Loss Account, as restated

Rs. in lacs

Particulars	Financial year ended				
	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Internet and related services	323.74	306.47	306.57	309.94	400.19
Other income	8.39	2.57	0.53	0.50	0.19
Total Income	332.13	309.04	307.10	310.44	400.38
Total Expenditure	261.39	302.48	302.52	305.41	375.41
Profit before taxation and after prior period adjustments	70.74	6.56	4.58	5.03	24.97
Less: Taxation - Current	6.50	0.60	0.35	0.38	1.70
Add: Taxation - Deferred	-	-	-	14.10	19.66
Less: Transitional deferred tax provision	-	-	-	(75.33)	-
Profit after Tax & after adjusting Prior Period items	64.24	5.96	4.23	(56.58)	42.93

Summary of Assets and Liabilities, as restated

Rs. in lacs

Particulars	Financial year ended				
	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
A. Total Fixed Assets	402.30	325.66	252.35	182.50	203.21
B. Investments	-	-	-	-	34.31
C. Total Current Assets, Loans & Advances	304.7	408.14	496.25	585.68	718.58
D. Total Liabilities & Provisions	119.53	135.04	135.78	202.1	159.94
NET WORTH (A+B+C-D)	587.47	598.76	612.82	566.08	796.16
REPRESENTED BY:					
A. Share Capital	536.03	536.03	536.03	536.03	570.34
B. Share application money	-	-	-	-	200.57
C. Reserves and Surplus	104.96	110.93	115.15	58.57	99.57
D. Miscellaneous Expenditure	53.52	48.20	38.36	28.52	74.04
NET WORTH (A+B-C)	587.47	598.76	612.82	566.08	796.16

GENERAL INFORMATION

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED Registered and Corporate Office: 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad - 500 004. Tel: (91 40) 2324 1999 Fax: (91 40) 2324 1444 Registered with the Registrar of Companies, Hyderabad, Andhra Pradesh Company Registration Number: 01-30463

Board of Directors of the Company

Sl. No.	Name of the Director	Designation
1	N. Satish Kumar	Managing Director
2	K. Radha Krishna	Director - Finance
3	B. Sreedhara Reddy	Director - Administration.
4	B.H.R. Balaji	Executive Director
5	K. Tejesh Kumar	Director - International Affairs
6	K. Venkateshwara Rao	Director - International Affairs
7	Y. Anand Swaroop	Director
8	B. Suresh	Director
9	Emmanuel H. D'Silva	Director
10	G. Govardhannaidu	Director
11	T. Rohini Reddy	Director
12	V.Durga Prasad	Director

THE BRIEF PROFILE OF THE MANAGING DIRECTOR AND WHOLETIME DIRECTORS IS GIVEN BELOW:

MR. N SATISH KUMAR, MANAGING DIRECTOR

Mr. N Satish Kumar, aged 35 years, is a Post Graduate Diploma in Computer Applications from the Institute of Computer Sciences, Hyderabad in 1994 and a Management Graduate from Institute of Management Education, Pune in 1996. He has been holding the position of Managing Director since 2001 and is responsible for the developing new business for the Company and client delivery.

He has also been spearheading the Company's efforts to engage in the business of bio diesel. In this direction, he is preparing to set up India's first commercial Bio-diesel production unit at Hyderabad in the state of Andhra Pradesh, India.

MR. K. RADHA KRISHNA, DIRECTOR - FINANCE

Mr. K. Radha Krishna, aged 36 years, is a Graduate in Civil Engineering from Nagarjuna University, Guntur. He has experience of more than 8 years in the field of Civil Construction and 6 years in Information Technology and Finance.

MR. B. SREEDHARA REDDY, DIRECTOR - ADMINISTRATION

Mr. B. Sreedhara Reddy, aged 35 years, is a Graduate in Civil Engineering from Nagarjuna University, Guntur. He has experience of more than 8 years in the field of Civil Construction and 6 years in Information Technology and Finance.

MR. B. H. R. BALAJI, EXECUTIVE DIRECTOR

Mr. B. H. R. Balaji, aged 33 years, is a Graduate in Electronics Engineering from Magadh University, Bodhgaya. He has 7 years experience in the fields of Internet based application developments.

MR. K TEJESH KUMAR, DIRECTOR - INTERNATIONAL AFFAIRS

Mr. K. Tejesh Kumar, aged 34 years, is an MBA from Andhra University. He will be assisting the Company in technical and managerial development.

MR. K VENKATESHWARA RAO, DIRECTOR - INTERNATIONAL AFFAIRS

Mr. K Venkateshwara Rao, aged 33 years, has a Masters Degree in Computers from Osmania University, Hyderabad. He has over a decade of experience in various technology Companies.

ISSUE MANAGEMENT TEAM

LEAD MANAGER TO THE ISSUE UTI Securities Ltd. SEBI Regn. No. INM000007458 MAPIN No. UIN 100000489 1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai - 400 051. Tel: (022) 5551 5801 Fax: (022) 5502 3194	REGISTRARS TO THE ISSUE Aarathi Consultants Pvt. Ltd. SEBI Regn. No. INR0000000379 MAPIN No. UIN 100021535 1-2-285, Domalguda Hyderabad - 500 029 Tel: 91-40-27642217, 27634445 Fax:91-40-27632184 E-mail: hyd2_aarcons@sancharnet.in
AUDITORS M/s P. Murali & Co., Chartered Accountants 6-3-655/2/3, Somajiguda, Hyderabad - 500 082 Tel: (040) 2332 6666, Fax: (040) 2339 2474 Email:info@pmurali.com	BANKERS TO THE COMPANY Bank of India Chandra Apts., 8-2-541/8, Road No. 7, Banjara Hills, Hyderabad - 500 034 Tel: 91-40-55512266, Fax: 91-40-23354942
LEGAL ADVISOR TO THE COMPANY Mr. K Naveen Kumar, Advocate Flat No. 202, Sovereign Shelter, Behind Ganga Gamuna Café, Lakdi ka pool, Hyderabad - 500 004 Tel: 91-40-2332 1327	BANKERS TO THE ISSUE ICICI BANK LIMITED Capital Market Division, Fort, Mumbai 400 001 HDFC BANK LIMITED Ground Floor, Maneckji Wadia Bldg., Nanik Motwani Marg, Fort, Mumbai 400 001. CITI BANK N.A. Dr. D.N. Road, Fort, Mumbai 400 001.
COMPLIANCE OFFICER & COMPANY SECRETARY Mr. D. Krishna Rao Company Secretary, Southern Online Bio Technologies Limited A3, 3rd Floor, Office Block, Samrat Complex, Saifabad, Hyderabad-500 004 Tel.: (040)-23241999, Fax: (040)-23241444 e-mail : dkrishna@sol.net.in	

The Investors are requested to contact the Compliance Officer in case of any pre-Issue/post-Issue related problems such as non-receipt of letter of allotment/share certificate/refund orders/demat credits not made, etc.

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

UNDERWRITING

The Company intends to get the issue fully underwritten to the extent of net offer to the public.

Sr. No	Name and Address of the underwriter	Date of agreement	Amount underwritten (Rs. Lacs)
1	UTI Securities Ltd. 1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai - 400 051.	August 18, 2005	277.27
2	Enam Financial Consultants Pvt. Ltd. 801, Dalamal Towers, Nariman Point, Mumbai 400 021.	August 18, 2005	830.00
	Total		1,107.27

In the opinion of the Board, on the basis of the declaration given by the Underwriters, the resources of the above mentioned Underwriters are sufficient to enable them to discharge their underwriting obligations in full. The Underwriters referred above have obtained Certificate of Registration from SEBI under the SEBI (Underwriters) Regulations 1993 or the SEBI (Stock Brokers & Sub-brokers) Regulations 1992. The above Underwriting Agreements have been accepted by the Board at their meeting held on August 18, 2005.

CAPITAL STRUCTURE OF THE COMPANY

No. of Shares	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED CAPITAL 2,30,00,000 Equity Shares of Rs. 10/- each	23,00,00,000	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL 57,03,397 Equity shares of Rs. 10/- each	5,70,33,970	
C. PRESENT ISSUE 1,71,00,000 Equity Shares of Rs. 10/- each at par	17,10,00,000	17,10,00,000
COMPRISING OF :		
D. RIGHTS ISSUE OF 32,59,084 Equity Shares of Rs. 10/- each at par in the ratio of 4:7 held on Record date i.e. August 18, 2005.	3,25,90,840	3,25,90,840
E. PUBLIC ISSUE OF 1,38,40,916 Equity Shares of Rs. 10/- each at par	13,84,09,160	13,84,09,160
OUT OF WHICH		
F. PROMOTERS CONTRIBUTION OF 27,68,184 Equity Shares of Rs. 10/- each at par	2,76,81,840	2,76,81,840
G. RESERVATION ON COMPETITIVE BASIS FOR FII/NRI OF* 40,00,000 Equity Shares of Rs. 10/- each at par	4,00,00,000	4,00,00,000
H. NET OFFER TO THE PUBLIC 70,72,732 Equity Shares of Rs. 10/- each at par	7,07,27,320	7,07,27,320
I. PAID UP CAPITAL AFTER THE PRESENT ISSUE 2,28,03,397 Equity shares of Rs. 10/- each	22,80,33,970	
J. SHARE PREMIUM ACCOUNT		
Before the Issue	—	
After the Issue	—	

*: The Company has received permission from the Reserve Bank of India to allot shares to NRIs/FIIs vide RBI letter dated March 15, 2005.

NOTES TO CAPITAL STRUCTURE

a. Details of Increase in Authorised Capital

S. No.	Particulars Of Increase	Date of Meeting	AGM / EGM
1	Rs. 10 lacs	Subscription to Memorandum of Association	--
2	From Rs. 10 lacs to Rs. 100 lacs	March 27, 1999	EGM
3	From Rs. 100 lacs to Rs. 600 lacs	November 25, 1999	EGM
4	From Rs. 600 lacs to Rs. 1200 lacs	March 25, 2004	EGM
5	From Rs. 1200 Lacs to Rs. 2300 Lacs	June 9, 2004	AGM
6	From Rs. 2300 Lacs to Rs. 2500 Lacs	July 14, 2005	EGM

b. Equity Share Capital History of the Company

Date of allotment/ Fully paid-up	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative number of Equity shares	Cumulative Share Premium (Rs.)
19.11.1998	500	10	10	Cash	Incorporation	500	-
09.10.1999	2,80,351	10	10	Cash	Allotted to Promoters	2,80,851	-
05.01.2000	1,12,000	10	10	Cash	Allotted to Promoters	3,92,851	-
05.02.2000	36,27,149	10	10	Cash	Allotted to Promoters	40,20,000	-
08.06.2000	13,40,300	10	10	Cash	Allotted to the Shareholders in the IPO	53,60,300	-
13.04.2004	343,097	10	10	Share swap	Refer Note no. c below	57,03,397	-
TOTAL	57,03,397						

c. Shares issued for consideration other than cash

SBT vide Agreement for sale dated February 13, 2004, acquired the entire share capital of Southern Biofe Bio Fuels Private Limited from Shri V. Durga Prasad and his associates, i.e. 343,097 equity shares of Rs. 10 each. The above acquisition was duly approved vide EGM resolution dated March 25, 2004. SBT has issued 343,097 shares (i.e. in the ratio of 1 share of SBT for every 1 share held in Southern Biofe Fuels Pvt. Ltd.) as consideration for the acquisition. Consequent to the acquisition, Southern Biofe Bio Fuels Private Limited has become a 100% subsidiary of SBT.

The Company has complied with SEBI guidelines on Preferential Issue of shares and M/s P Murali & Co., Chartered Accountants, Hyderabad has issued compliance certificate dated April 20, 2004 in this regard. In terms of the SEBI guidelines, the above shares were locked in for a period of 1 year from the date of allotment i.e. up to April 12, 2005. Apart from this the entire pre preferential share holding of allottees was locked in for a period of 6 months from the date of allotment i.e. up to October 12, 2004.

d. Promoters' Contribution and lock-in Period:

As per clause 4.3.1 of the SEBI DIP Guidelines, promoters are participating to the extent of 20% of the proposed Issue.

S. No.	Name of Promoter / Person in Promoter Group	Date of allotment and made Fully paid-up	Consider-ation	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	% of Present public Issue	Lock in Period * (Years)
1	C. M. Ramesh	Proposed public issue	Cash	5,89,288	10	10	4.26	3 years
2	N. Satish Kumar	Proposed public issue	Cash	2,09,520	10	10	1.51	3 years
3	K. Radha Krishna	Proposed public issue	Cash	2,09,518	10	10	1.51	3 years
4	B. Sreedhara Reddy	Proposed public issue	Cash	2,09,518	10	10	1.51	3 years
5	B.H.R. Balaji	Proposed public issue	Cash	2,09,518	10	10	1.51	3 years
6	K. Tejesh Kumar	Proposed public issue	Cash	6,70,411	10	10	4.84	3 years
7	K. Venketeshawara Rao	Proposed public issue	Cash	6,70,411	10	10	4.84	3 years
	Grand Total			2,768,184			20.00	

* The lock in period shall commence from the date of allotment of shares in the Issue and the last date of the lock-in shall be 3 years from the date of commencement of commercial production or the date of allotment in the issue which ever is later. Accordingly, the shares which are subject to lock in shall carry inscription "non transferable".

Note:

This being a composite Issue, provisions of clause 4.4 of Chapter IV of SEBI (DIP) Guidelines is applicable. As per the provisions of lock-in under clause 4.4 of the SEBI (DIP) Guidelines, 2000, in case of a composite Issue of a listed Company the Promoters'

contribution shall at the option of the promoters be either 20% of the proposed Public Issue or 20% of the post Issue capital. The Promoters have opted for 20% of the proposed Public Issue i.e. 2,768,184 equity shares of Rs. 10/- each being 20% of 13,840,916 equity shares offered to public. As per clause 4.11.1 of the Guidelines the said minimum Promoters' contribution is to be locked in for a period of 3 years.

e. The shareholding pattern of the Promoters Group is as under:

Sr No.	Name of the Shareholders.	No. of shares	% of the paid up capital
1	C.M.Ramesh	975,005	17.10
2	N.Satish Kumar	181,555	3.18
3	K. Radha Krishna	181,555	3.18
4	B.H.R.Balaji	181,555	3.18
5	B.Sreedhara Reddy	181,555	3.18
6	C R Sridevi	81,097	1.42
7	C M Rajesh	7,410	0.13
8	N Ramadevi	6,655	0.12
9	C Krishna Kishore	5,000	0.09
10	C Govardhana Naidu	3,500	0.06
11	C Sowbhagyamma	3,000	0.05
12	C Muni Swamy Naidu	3,000	0.05
13	Bachala Suresh	3,000	0.05
14	C Vamsi Krishna	2,500	0.04
15	K. Sumithra	1,000	0.02
16	K Tejesh Kumar	2,500	0.04
17	K Venkateshwara Rao	2,500	0.04
	Total	1,822,387	31.95

f. Promoters Contribution and Lock-in in respect of Promoters whose name figure in the Offer document as Promoters in the paragraph on "Promoters and their Background" is as under:

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment /Transfer and made Fully paid-up	Consider-ation	No. of Shares	Face Value (Rs.)	Issue Transfer Price (Rs.)	% of Post Issue Paid-up capital	Lock in Period * (Years)
1	C. M. Ramesh	19.11.1998	Cash	100	10	10		
		09.10.1999	Cash	112,535	10	10		
		05.01.2000	Cash	62,010	10	10		
		05.02.2000	Cash	407,956	10	10		
		05.02.2000	Cash	384,504	10	10		
		08.06.2000	Cash	7,900	10	10		
		Rights Entitlement	Cash	557,146	10	10		
		Public issue	Cash	589,288	10	10		3 years
	Total			2,121,439			9.30	
2	N. Satish Kumar	19.11.1998	Cash	100	10	10		
		09.10.1999	Cash	42,900	10	10		
		05.01.2000	Cash	5,000	10	10		
		05.02.2000	Cash	93,832	10	10		

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment /Transfer and made Fully paid-up	Consider-ation	No. of Shares	Face Value (Rs.)	Issue Transfer Price (Rs.)	% of Post Issue Paid-up capital	Lock in Period * (Years)
		05.02.2000	Cash	46,378	10	10		
		13.04.2004	Share swap	71,745	10	10		**
		22.11.2004	Cash	-71,745	10	10		**
		30.11.2004	Cash	-6,655	10	10.75		**
		Rights Entitlement	Cash	103,746	10	10		
		Public issue	Cash	209,520	10	10		3 years
		Total		494,821			2.17	
3	K. Radha Krishna	19.11.1998	Cash	100	10	10		
		09.10.1999	Cash	58,900	10	10		
		05.01.2000	Cash	10,000	10	10		
		05.02.2000	Cash	66,177	10	10		
		05.02.2000	Cash	46,378	10	10		
		Rights Entitlement	Cash	103,746	10	10		
		Public issue	Cash	209,518	10	10		3 years
		Total		494,819			2.17	
4	B. Sreedhara Reddy	19.11.1998	Cash	100	10	10		
		09.10.1999	Cash	40,261	10	10		
		05.01.2000	Cash	5,000	10	10		
		05.02.2000	Cash	89,816	10	10		
		05.02.2000	Cash	46,378	10	10		
		Rights Entitlement	Cash	103,746	10	10		
		Public issue	Cash	209,518	10	10		3 years
		Total		494,819			2.17	
5	B.H.R. Balaji	19.11.1998	Cash	100	10	10		
		09.10.1999	Cash	25,755	10	10		
		05.01.2000	Cash	29,990	10	10		
		05.02.2000	Cash	79,332	10	10		
		05.02.2000	Cash	46,378	10	10		
		Rights Entitlement	Cash	103,746	10	10		
		Public issue	Cash	209,518	10	10		3 years
		Total		494,819			2.17	
		Grand Total		4,100,717				17.98

* The lock in period shall commence from the date of allotment of shares in the Issue and the last date of the lock-in shall be 3 years from the date of commencement of commercial production or the date of allotment in the issue which ever is later.

** Transferred to others

- g. The Promoters' contribution has been brought-in in not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.
- h. The Equity Shares to be held by the Promoters/Promoters group under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by the Promoters/Promoters group, which are locked in, may be transferred to and among Promoter/Promoter group or to a new promoter or persons in control of

the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters/Promoters group may pledge their Equity Shares with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.

- i. The Promoter Group is holding 18,22,387 equity shares of Rs.10/- each forming 31.95% of the Pre-Issue Equity Capital of the Company. The persons in Promoter group have confirmed that they intend to subscribe to the full extent of their entitlement in the Rights Issue component. The Promoter Group intends to apply for additional shares in the rights Issue such that at least 90% of the Rights Issue is subscribed in case of under-subscription in the Rights Issue. In case the promoters subscribe to the entire Rights Issue, and additional participation in the Public Issue as mentioned at Note no. (d), their holding may go up to approx 35% of the post Issue capital. Thus public share holding will not fall below the minimum permissible level and hence the provisions of clause 17 of SEBI (Delisting of Securities) Guidelines, 2003 is not applicable.
- j. The Company/Promoters/Director/Lead Manager have not entered in to buyback/standby or similar arrangements for purchase of securities issued by the Company through this Offer document.
- k. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to 500 Equity Shares, which is the minimum application size in this issue.
- l. The Company has reserved 40,00,000 equity shares for NRIs/FIIs on competitive basis. The Company has received RBI approval vide their letter dated March 15, 2005 for investment by NRIs/FIIs. The unsubscribed portion, if any, out of the equity shares reserved for FIIs/NRIs etc. shall be added back to the Net offer to the Public. No single applicant can make an application for more than 40,00,000 equity shares in the reserved category. Applicants applying in the NRI/FII category shall not be eligible to apply in the "net offer to the public" category.
- m. In case of under subscription in the net offer to the public portion, spillover to the extent of under subscription shall be permitted from the reserved category to the net offer to the public portion.
- n. Since the entire money of Rs. 10/- per share is being called on application, all the successful applicants will be issued fully paid-up shares.
- o. Particulars of top ten shareholders (2 years prior to the date of filing this Offer document with the ROC)

Sr No.	Name of the Shareholders.	No. of shares	% of the paid up capital
1.	C. M. Ramesh	975,005	18.19
2.	Dasari Srinivas	200,000	3.73
3.	N. Satish Kumar	188,210	3.51
4.	K. Radha Krishna	181,555	3.39
5.	B.H.R. Balaji	181,555	3.39
6.	B. Sreedhara Reddy	181,555	3.39
7.	Ajay Kumar Kayan	150,000	2.80
8.	Vijay Growth Financial Services Ltd.	1,42,724	2.66
9.	Vivek Mundra	70,000	1.31
10.	P Rajyalakshmi	70,000	1.31

- p. Particulars of top ten shareholders (10 days prior to the date of filing of the Offer document with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	C.M.Ramesh	975,005	17.10
2.	Dasari Srinivas	200,000	3.51
3.	N.Satish Kumar	181,555	3.18
4.	K. Radha Krishna	181,555	3.18
5.	B.H.R.Balaji	181,555	3.18

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
6.	B.Sreedhara Reddy	181,555	3.18
7.	Ajay Kumar Kayan	150,000	2.63
8.	C R Sridevi	81,097	1.42
9.	Kanti Doshi	73,000	1.28
10.	P Rajya Lakshmi	70,000	1.23

q. Particulars of top ten shareholders (the date of filing of the Offer document with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	C.M.Ramesh	975,005	17.10
2.	Dasari Srinivas	200,000	3.51
3.	N.Satish Kumar	181,555	3.18
4.	K. Raha Krishna	181,555	3.18
5.	B.H.R.Balaji	181,555	3.18
6.	B.Sreedhara Reddy	181,555	3.18
7.	Ajay Kumar Kayan	150,000	2.63
8.	C R Sridevi	81,097	1.42
9.	P Rajyalaxmi	70,000	1.23
10.	V Durga Prasad	60,000	1.05

r. The details of sale/ purchase/ financing of shares by the Promoters/Directors:

The Promoters Group/Directors have not purchased and or sold/financed any shares of the Company during the past 6 months except shown below:

Name	Date of Transaction	Buy / Sell	No. of Shares	Price per Share (Rs.)
K Tejesh Kumar	31.03.2005	Buy	500	19.50
K Venkateshwara Rao	31.03.2005	Buy	500	19.50
K Tejesh Kumar	31.03.2005	Buy	2,000	19.50
K Venkateshwara Rao	31.03.2005	Buy	2,000	19.50

s. The Company has not issued any Bonus Shares, since its inception.

t. The pre-Issue and post-Issue shareholding pattern of Southern Online Bio Technologies Limited is as under:

Particulars	Pre-Issue		Rights Issue		Public Issue		Post-Issue	
	No. of Shares	% holding	No. of Shares	% holding	No. of Shares	% holding	No. of Shares	% holding
Promoters & Promoters' Group	1,822,387	31.95	1,041,364	31.95	2,768,184	20.00	5,631,935	24.70
NRIs / FII's	418,750	7.34	239,286	7.34	4,000,000	28.90	4,658,036	20.43
Domestic Companies	158,674	2.78	90,671	2.78	7,072,732	51.10	12,513,426	54.88
Resident Indians	3,303,586	57.92	1,887,763	57.92				
Total	5,703,397	100.00	3,259,084	100.00	13,840,916	100.00	22,803,397	100.00

u. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying Equity Shares of or for a value of not more than Rs. 1,00,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for Equity Shares of a value more than Rs. 1,00,000/- and corporate bodies/ institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.

- v. In the event of over-subscription, Allotment will be on proportionate basis as detailed in Para on "Basis of Allotment" on page no. 109 of this Offer document.
- w. The Company has not revalued its assets since inception.
- x. The Company has not issued any shares out of revaluation reserves.
- y. The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.
- z. There are no "bridge loans" from any bank taken by the Company against the proceeds of the Issue.
- aa. No single applicant can make an application for number of shares, which exceeds the total number of shares offered through this Offer document.
- bb. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Offer document with SEBI until the Equity Shares offered through this Offer Document have been listed.
- cc. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures, the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- dd. There shall be only one denomination for the Equity Shares of the Company. The Company shall comply with disclosure norms as may be specified by SEBI from time to time.
- ee. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by the issuer Company or the promoters to the persons who receive firm allotments in the public issue.
- ff. The Company had 2,951 members as on August 18, 2005.

OBJECTS OF THE ISSUE

Funds requirement

1. Diversification into production of Bio Diesel by setting up a new manufacturing facility;
2. To finance Long Term working capital requirement for Bio Diesel project;
3. To meet the expenses of the Issue
4. To list the equity shares of the Company on the Stock Exchanges.

The main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities for which the funds are being raised through the present Issue.

COST OF PROJECT AND MEANS OF FINANCE

The cost of the project and means of finance as per the appraisal report of UTI Securities Limited dated December 3, 2004.

COST OF THE PROJECT

Particulars	Rs. In lacs
	Amount
Land & Site Development **	34.20
Buildings & Civil Work **	128.65
Plant & Machinery - turnkey	920.00
Plant & Machinery - others**	116.65
Office Equipments	13.66
Furniture and Fixtures	7.50
Preliminary, Pre Operative and Issue Expenses	234.65
Vehicles	46.74
Other Fixed Assets **	80.00
Contingencies**	17.98
Margin Money for Working Capital	109.97
Total	1,710.00
MEANS OF FINANCE	
Public Issue of Equity Shares	1,384.09
Rights Issue of Equity Shares	325.91
Total	1,710.00

** As certified by Independent Chartered Engineer

Pending utilization in the project, the proceeds of the Issue will be invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

In case the issue does not go as planned, the Company will make alternative arrangements like availing of fresh loans from bank and also using internal accruals.

DEPLOYMENT OF FUNDS IN THE PROJECTS AS ON JULY 26, 2005.

The Company has incurred following expenditure on the proposed project till July 26, 2005. The same has been certified by M/s P. Murali & Co., Chartered Accountants vide their certificate dated July 26, 2005.

Particulars	Rs. In lacs
	Amount
Land & Site Development	34.20
Plant & Machinery - turnkey	195.00
Building and civil works	6.53
Preliminary, Pre Operative and Issue Expenses	58.75
Total	294.48
MEANS OF FINANCE	
Promoters contribution	294.48
Total	294.48

APPRAISAL

The project has been appraised by UTI Securities Limited for the purpose of the IPO of Equity Shares; vide their appraisal report dated December 3, 2004.

The scope of Appraisal is limited to meet the listing norms of Stock Exchanges for IPO and includes the following:

- The promoter and the Company track record for implementing the projects
- The analysis of the past financial performance of the Company
- The rationale for undertaking capital expenditure programme
- The markets for the products-existing and new
- The assumptions underlying profitability projections on completion of the capital expenditure programme
- The key financial ratios for the Company as a whole on completion of the capital expenditure programme
- Analysis of risk factors associated with project implementation, market size and competition etc.

The year wise break up of proposed deployment of fund is mentioned hereunder:

Rs. in lacs

Capital Expenditure	Already Incurred	2005-06			Total
		2nd Qtr.	3rd Qtr.	4th Qtr.	
Land & Site Development	34.20	-	-	-	34.20
Building and Civil works	6.53	100.62	21.50	-	128.65
Plant & Machinery - turnkey	195.00	205.00	485.00	35.00	920.00
Plant & Machinery - others	-	26.15	90.50	-	116.65
Office equipment	-	-	6.00	7.66	13.66
Furniture and fixture	-	-	5.00	2.50	7.50
Preliminary, preoperative and Issue expenses	58.75	124.90	40.00	11.00	234.65
Vehicles	-	17.00	29.74	-	46.74
Other fixed assets	-	20.00	40.00	20.00	80.00
Contingencies	-	-	-	17.98	17.98
Margin Money for Working Capital	-	-	-	109.97	109.97
Total	294.48	493.67	717.74	204.11	1,710.00

Background and Rationale

Across the globe environmental concerns and energy security issues have prompted legislation and regulatory actions spurring demand for alternative fuels such as bio-diesel. Sustainable development depends heavily on energy sources. The energy is mainly consumed in transport sector as against domestic requirements. Electricity and fuels such as LPG, wood are used as domestic energy sources. While in transport sector electricity, petrol, diesel, compressed natural gas (CNG) and lately LPG (liquefied petroleum gas) has been used. The use of compressed natural gas (CNG) as transportation fuel is restricted to mainly metro cities like Mumbai, Delhi, and so on. As society develops, the apparent stagnant demand of petrol and diesel would go-up. At present, Indian Refineries mostly operate their Fluid Catalytic Cracking Units (FCCU) in diesel mode to meet diesel demand. Despite some success in indigenous production of crude oil, India is heavily dependent on imported crude to meet the energy demands. Geo-political factors heavily influence the stability of crude prices. The country's dependence on imported crude needs to be curtailed because any oil crisis would run the economy in all sorts of difficulties and hamper sustainable development. As a result, search for alternate energy source to substitute totally or partly all transportation fluids is must.

Bio-diesel has many positive attributes associated with its use, but by far the most noted attribute, highlighted by fleet managers, is similar operating performance as conventional diesel fuel and either minimum or no change required in facilities and maintenance procedures.

Already, in the developed countries of the world, like US, Australia, Germany and France, bio-diesel is being extracted from plants like saffola, sunflower, soyabean, etc., which are essentially edible in India. But India has a vast resource of non-edible or wild seed crops like *Jatropha curcas* (Ratanjot), *Pongamia pinnata* (Karanj) and *Madhuca indica* (Mahua), from which oil can be derived to develop as bio-diesel depending upon site specific requirements.

Agro forestry is the planned integration of agriculture and forestry aimed at providing a stream of direct benefits in the form of food, fuel, fodder and timber, as well as environmental benefits of soil and water conservation and microclimate improvements that contribute to sustainability. Vast tracts of land are lying waste or being subjected to various kinds of maltreatment. It is estimated that around 48 million hectares of land in the country is categorized as uncultivable wastes, miscellaneous tree crops and fallow.

As a facilitating policy environment, the 10th Five Year Plan of the Government of India has also outlined cultivation of *Jatropha* on 5 million hectares of degraded wasteland of the country to reduce the economic burden of importing crude oil.

Crops used for production of Bio - Diesel

Various crops could be used for the production of Bio-Diesel. Brief details of the crops which can be used are given below:

Jatropha curcas is a hardy species capable of growing in poor soil conditions, in low rainfall areas and also on degraded lands. The various agro forestry combinations in which *Jatropha* can be grown include alley cropping with crops and medicinal plants and as the tree component in silvipasture, agrisilviculture and silvihorticulture combinations. Trees outside forests (TOFs) that include roadside plantings, woodlots, scattered trees in the landscapes, isolated trees in fields, home gardens and orchards, also comprise potential tree formations for including *Jatropha*. In India, TOFs are an important source of wood, various non-wood products and environmental services. Plantation of energy crops like *Jatropha* is possible as TOFs forming block plantations in grazing lands, wastelands and fallow lands or in combination with other trees or fodder crops and on farm boundaries. *Jatropha* comes to fruition within 4-5 years and has a long productive period of around 50 years, yielding handsome returns annually. These traits make it a low cost model ideal for small farmers and a safe investment model both from the bankers' and the farmers' point of view. Since plantation of this species is possible even in poor soil and water regimes, it can be used to cover lands otherwise lying waste or fallow.

Pongamia (*Pongamia pinnata*) is a leguminous tree yielding non-edible oil which can be used as bio-diesel i.e. substitute of diesel to run engine at the same efficiency. *Pongamia* is widely distributed in both dry and moist Indian plains, especially along watercourses. Traditionally, it has been used to burn household oil lamps and for curing skin diseases. *Pongamia* seeds are collected extensively across several villages by school children and sold to local traders for very small sums of money- Rs. 1-2 per kg. About 10,000 tons of *Pongamia* seeds may be traded annually across 5 states in southern India (Karnataka, Kerala, Tamil Nadu, Andhra Pradesh and Maharashtra), available in the market at Rs. 5 per kg. The seeds are often transported to Mumbai and Delhi, mostly procured by Hindustan Lever for use in soap or oil Companies for engine lubricants.

Pongamia oil can be readily used as fuel in oil engines as demonstrated successfully by IISc (SuTRA), Bangalore. Power is being generated running oil engines fuelled by *Pongamia* oil in AP and Karnataka. However, the source of *pongamia* oil in these areas is mainly depending on naturally occurring trees. This curbs the use of this technology in other areas where naturally growing *pongamia* trees are not in plenty. In AP, seven districts viz: Adilabad, Chittoor, Karimnagar, Mahaboobnagar, Srikakulam, Vijayanagaram and Vishakapatnam are richly endowed with abundant *Pongamia* trees in their forest areas.

Benefits of Bio - Diesel

- Blends freely without emulsifiers with all petroleum fuel like petrol and diesel.
- As a 20% blend - called B-20 - can be used in regular IC engines designed after 1994 without any modification.
- As an oxygenator it is not known to have any carcinogenic effects like MEG.
- The toxicity of bio-diesel on a comparative scale is less than 10% of that of common salt.
- It is biodegradable, degrades approx. at same rate as sugar
- Is a Renewable Resource
- On the fuel front:
 - Increases cetane value of fuel
 - Increases the lubricity
 - At B-20 level reduces greenhouse gases and particulates by 14% and CO by 7% in a study conducted by Colorado Institute of Fuels Research.
 - Due to its detergent properties it keeps injection fuel pumps and filter clean.
 - It qualifies for mandated programmes under the Clean Air Amendment Act (CAAA 90) and the Environmental Protection Act of 1992.

LOCATION OF THE PROJECT

LAND & SITE DEVELOPMENT

The Company has purchased 12 acres of Land at Survey No. 6 & 7, Samsthan Narayanpur Village & Mandal, Nalgonda Dist, Hyderabad, A. P. for setting up Bio Diesel project. Cost of the same is detailed below:

Rs. in lacs

S. No.	Particulars	Amount
1	Cost of land	12.00
2	Registration and conveyance	1.38
3	Compound wall and bore well	17.95
4	Tube well & other accessories	2.87
	Total	34.20

The land as stated above is free from all encumbrances and has been duly registered in the name of the Company vide sale deed document no. 5283/2004 dated September 13, 2004.

Detailed description about the site of the proposed bio diesel project is given below:

S. No.	Location	Owned/Rented/Contract	Area	Type of facility	Name & Adress of the Vendors	Occupation	Consideration
1	Survey No. 6 & 7, Samsthan Narayanpur (Village & Mandal), Nalgonda Dist, Andhra Pradesh, India	Owned	12 Acres	Biodiesel Factory Site	Vesireddy Vijaya Goverdhan Reddy R/o. Narayanpur Village & Mandal, Nalgonda Dist. Vesireddy Pradeep Reddy R/o. Narayanpur Village & Mandal, Nalgonda Dist. Vesireddy Dinesh Reddy R/o. Narayanpur Village & Mandal, Nalgonda Dist.	Agriculture Agriculture Employee	Rs. 12,00,000/-

BUILDING & CIVIL WORK

The cost of buildings and civil works are estimated at Rs. 128.65 lacs which primarily consist of machine foundations apart from auxiliary buildings such as electrical rooms, administrative block, stores, etc. These civil works are covered within the ambit of the EPC contract.

Details of proposed factory construction is given below:

Rs. In lacs

S.No.	Particulars	Area (Sq. mtrs.)	Amount
1	Leveling and Development of the plot area including plantation	45,605	9.12
2	Administrative Building and Lab	300	7.50
3	Gate House, Weigh Bridge, Weighment Room, Store Room, Work Shop, Transformer Room, Power Room, Boiler House, Cake Godown	1,025	16.91
4	Plant Buildings, Oil Mill section, Oil Refining Section, Biodiesel section	1,162	5.81
5	Paving of the plant area, parking area, truck parking area	2,236	6.15
6	Construction of the Roads	1,500	6.01
7	MS Tanks with pipes and pumps (9 tanks for raw material, finished goods, crude glycerol and unsap matter)	-	51.65
8	SS Tanks with pipes and pumps (5 tanks for finished glycerol, methanol, acidic acids, etc.)	-	25.50
	Total		128.65

PLANT & MACHINERY:

The Company has signed a tripartite turnkey Agreement dated December 1, 2004 with Lurgi Life Science, Germany (Lurgi) a world leader in Bio Diesel technology and Chemical Construction International Private Limited, Delhi (CCI) (which has technical collaboration with Lurgi) for the procurement of plant and machinery required for a 30TPD bio-diesel project at a contract value aggregating Rs. 920 lacs. The contract is a fixed price contract, i.e., it does not provide for any escalation in the contract price. The Company has already paid a sum of Rs. 110 lacs to CCI towards advance fees on signing the tripartite Agreement.

The brief details about terms of the tripartite Agreement are given as follows:

Scope of agreement

Lurgi and CCI are jointly responsible for the entire design and construction of the 30TPD multi feed stock based commercial scale Bio diesel production plant located at Samsthan Narayanpur Village, Nalgonda District, Andhra Pradesh for production of ASTM standards compliant Bio diesel and Pharma grade Glycerin.

Scope of services of Lurgi and CCI

The basic engineering for the plant would be supplied by Lurgi and the actual construction of the plant including additional engineering would be done by CCI. The following additional services would also be provided by CCI:

- On site supervision of the assembly and construction of the Plant
- Consultation regarding the Plant through various telecommunication media
- Pre commissioning testing of the Plant
- Successful commissioning of the Plant
- Training of the Company's personnel in the operation and maintenance of the Plant
- Other services as may be required and mentioned in the aforesaid agreement
- Making available Lurgi experts for any of or all the above services.

Company's responsibility

The Company would be responsible for construction of the foundation and site preparation as per CCI instructions, arranging for requisite water and energy as may be required.

Plant capability

The Plant would use various types of feed stock including Sludge Palm oil, Jetropha curcus, Rice Brawn oil, Neem, other vegetable oils and would also perform the following functions:

- Pressing of vegetable seeds
- De-gumming, neutralizing and drying of the feed stock oil
- Trans-esterifying and esterifying of the feed stock
- Recovering and producing Pharma Grade Glycerol

Contract completion

The contract provides for a period of 15 months from the date of signing of the agreement for the successful completion of commissioning and trial runs.

Other terms

- The contract envisages payment to the Company in the event of a delay as specified in the contract, of an amount equal to 0.5% per week of the price of the plants so delayed upto a maximum of 5% of the price.
- Defective parts, if found, within a period within twelve months from the date of the start up shall be replaced or satisfactorily repaired by CCI at free of charge.

Payment terms

The agreement provides for a contract value of Rs. 920 lacs including all taxes, transportation, freight and insurance during transportation. The contract price also includes technical know how, basic and detailed engineering and other technical services. Following is the schedule of payments to be made:

Rs. In lacs

Milestone	Amount payable
Advance fees already paid	110.00
Payment to commence basic and detailed engineering works	90.00
Commencement of plant fabrication based on basic and detailed engineering designs provided by Lurgi	150.00
Fourth payment	50.00
Payment against delivery of equipment	485.00
Balance against bank guarantee to be provided to the Company for performance of the plant for one year from date of successful commissioning	35.00
Total contract value	920.00

The following are the major sections for the plant and machinery as per the turnkey contract:

S. No.	Particulars
1	Oil Expelling section
2	Crude oil Pretreatment Plant
3	Esterification/Process equipment
4	Transesterification unit
5	Methyl Ester Drying
6	Glycerin Water Pretreatment
7	Glycerin water Evaporation
8	Pharma Glycerin section

The Company does not propose to buy any second hand machinery.

The aforesaid sections comprise of receivers, condensers, pumps, heat exchangers, driers, tanks, filters, centrifugal mixers, reactors, distillation units, centrifugal mixers, valves fittings and piping, etc.

International standards, set by ASTM, would be used in the production of Bio Diesel. Product standards, as per ASTM, will be the responsibility of Lurgi and CCI.

Besides the aforesaid turnkey arrangement, the Company proposes to fabricate/acquire the following plant and machinery/other equipment:

Rs. In lacs

S. No.	Particulars	Specification	Amount
1	DG sets	650 KVA, 325 KVA	44.75
2	Weigh bridge	30 tons capacity	10.00
3	Boiler	2 tons capacity	26.00
4	Water supply system and waste water treatment plant	-	33.00
5	Fire fittings (buckets and cylinders), etc.	-	2.90
	Total		116.65

FURNITURE & FIXTURES:

Furniture and Fixture comprises of costs towards interior designing of the office premises including costs of flooring carpets. The Furniture & Fixtures proposed to be purchased include office cabinets, executive tables, chairs and office filing cabinets.

Rs. In lacs

S. No.	Particulars	Amount
1	Interior designing	5.00
2	Chairs, tables, carpets, etc.	2.50
	Total	7.50

OFFICE EQUIPMENTS:

The cost of office equipment is detailed below:

Rs. In lacs

S. No.	Particulars	Amount
1	Air conditioning	1.32
2	Computers and printers	6.46
3	Fax and EPABX	4.02
4	Filing racks, etc.	0.90
5	Other miscellaneous assets	0.96
	Total	13.66

VEHICLES:

The vehicles would be used for transportation of employees and for delivery of materials and finished goods. The cost of vehicles and other assets is detailed below:

Rs. In lacs

S. No.	Particulars	Amount
1	Vans/Jeeps	27.85
2	Trucks/tankers	15.00
3	Fabrication for storage tanks on trucks	2.00
4	Bikes	1.89
	Total	46.74

OTHER FIXED ASSETS:

Rs. In lacs

S. No.	Particulars	Specification	Amount
1	Thermic Fluid heaters	4 lac kl per hr	7.00
2	Power station	756 KW	28.00
3	Laboratory equipment	Various	25.00
4	Packing line	Various	3.00
5	Work shop equipment	Various	5.00
5	Spares	Various	12.00
	Total		80.00

PRELIMINARY, PRE OPERATIVE AND ISSUE EXPENSES

Preliminary, Preoperative and Issue expenses are estimated from the start up time of this project till the commencement of commercial production. The expenses include travel costs, salary & wages payable during construction of factory building, legal and professional charges, trial run expenses, insurance, ROC fees for capital increase, advertising and publicity expenses.

Rs. In Lacs

Sl. No.	Particulars	Amount
	Issue Expenses :	
1	Lead Managers & Registrars fees, Audit Fees & consultancy	56.00
2	Printing & Stationery / Dispatch	30.00
3	Brokerage & Underwriting Commission	38.75
4	Advertisement & Marketing Expenses	23.35
5	Other Expenses (Listing Fees, Depository Charges etc.)	8.55
	Preliminary & Pre-operative Expenses:	
1	Production Trial Expenses	16.00
2	Other expenses	62.00
	Total	234.65

MARGIN MONEY FOR WORKING CAPITAL

The margin money to be funded out of the proposed Issue has been computed as follows:

Particulars	Amount	Amount
Inventory		
Raw material	102.16	
Work in progress	30.60	
Finished goods	40.11	
	172.87	172.87
Sundry Debtor		115.18
Total current assets		288.05
Less: Sundry creditors		68.11
Net working capital requirement		219.94
Margin money on working capital to be funded out of the Issue proceeds (@50%)		109.97

CONTINGENCIES

Contingencies have been estimated at 5% of the cost of the land and site development, building and civil work, plant and machinery (except turnkey plant and machinery) and other assets. Contingencies are not computed on turnkey plant and machinery since the turnkey contract is a fixed price contract and does not provide for any escalation.

SCHEDULE OF IMPLEMENTATION

The implementation schedule of the proposed project is given below:

S. No.	Activities	Commencement	Completion
1	Acquisition of Land	Already acquired in Sept. 2004	
2	Civil Works	December 2004	September 2005
3	Plant & Machinery		
	- Order & Delivery	December 2004	September 2005
	- Other assets - Order & Delivery	July 2005	December 2005
4	Erection of P & M	July 2005	December 2005
5	Commissioning of P & M	January 2006	February 2006
6	APSEB load sanction	Already received in January 2005	
7	APPCB Consent	Already received in February 2005	
8	Trial runs	February 2006	February 2006
9	Commercial Production	March 2006	

BASIC TERMS OF THE ISSUE

Principal Terms and Conditions of the Issue

The Equity Shares being issued are subject to the terms of this offer document, the terms and conditions contained in the Application Form, the Memorandum and Articles of the Company, provisions of the Act, other applicable acts and the letters of allotment/Equity Share certificates or other documents and the Guidelines issued from time to time by the Government of India, SEBI and the concerned Stock Exchanges.

Terms of Payment:

Applications should be for minimum of 500 equity shares and in multiples of 500 equity shares thereafter. The entire offer price of the equity shares of Rs. 10/- per share is payable on application.

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be refunded by the Company to the applicants.

BASIS FOR ISSUE PRICE

Qualitative Factors:

1. The Company is profit making since inception.
2. The Company will be the first to setup a commercial production facility for bio diesel.
3. The Company has already obtained host country approval for selling of carbon credits.
4. The Company has a professional board of directors and advisors for the bio diesel project
5. The Company, for its bio diesel project, is assisted by Lurgi Life Sciences, Germany, a world leader in Bio Diesel technology.

Quantitative Factors

1. Adjusted weighted earning per share (EPS)

Year	EPS	Weightage
2002-2003	0.08	1
2003-2004	0.09	2
2004-2005	0.71	3
Weighted average	0.40	

2. Price Earning ratio (PE ratio) in relation to the Issue Price of Rs. 10 per share:

a.	Based on 2004-2005 EPS	14.08
b.	Based on weighted average EPS	25.10
c.	Computer Software (Small/Medium) Industry P/E *	
	i) Highest (Financial Technologies)	304.8
	ii) Lowest (Brels Infotech)	1.2
	iii) Average	20.0

*Source: Capital Market Volume XX/10 - July 18 - July 31, 2005

There are no listed Companies of the similar size in the proposed product line as that of SBT.

3. Return on year - end Net worth

Year	RONW (%)	Weightage
2002-2003	0.69	1
2003-2004	0.82	2
2004-2005	5.39	3
Weighted Average	3.08	

Minimum return on total Net worth after Issue needed to maintain pre Issue EPS:

EPS of 31.03.2005 Re. 0.71	6.46%
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4. Net Asset Value (NAV) per share (Rs.)

a.	As on March 31, 2005	13.97
b.	After Issue	10.99
c.	Issue Price	10.00

5. The face value of shares is Rs.10/- per share and the Issue price of Rs.10/- per share is 1 time of the face value.
6. The Lead Manager believes that the Issue Price of Rs.10/- per share is justified in view of the above qualitative and quantitative parameters. The Investors may also want to peruse the risk factors and the financials of the Company as set out in the Auditors Report on page no. 5 & 68 of the Offer document to have a more informed view about the investment proposition.

TAX BENEFITS CERTIFICATE TO THE COMPANY AND ITS MEMBERS

The Auditors of the Company, M/s. P. Murali & Co., Chartered Accountants have, vide their letter dated 1st July 2005, certified that under the current provisions of the Income Tax Act, 1961 and other applicable direct tax laws for the time being in force as amended upto Finance Act 2004), the following benefits and deductions are available to the Company and its members:

(A). BENEFITS TO THE COMPANY UNDER INCOME TAX ACT, 1961:

1. The Company will be entitled to deduction of the relevant amount from its total income chargeable to Income Tax, calculated otherwise than under the provisions of Section 115JB of the Income Tax Act, 1961, in respect of any expenditure incurred or any amount paid, subject to compliance of certain conditions laid down in
 - Section 35 (1) m (i) and (iv) of the Income Tax Act, 1961 in respect of any revenue expenditure incurred or any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the Business of the company to the extent of the expenditure incurred.
 - Section 35(1)(2AB) of the Income Tax Act, 1961, in respect of any expenditure not being capital expenditure in the nature of cost of any land and building on in-house research and development facility as approved by the prescribed authority and enters into an agreement with the prescribed authority for co-operation in such research and development facility, to the of a sum equal to one and one-half times of the expenditure so incurred.
 - Section 35 (1) (ii) and (iii) of the Income Tax Act, 1961 in respect of any sum paid to a scientific Research Association which has as its object of undertaking scientific research or to any approved university, college or other institution to be used for scientific research or for research in social science or statistical Research to the extent of sum equal to one and one fourth of the sum paid.
2. The company is liable to pay income tax U/s 115(O)(i) of the Income tax act in respect of dividend declared or distributed or paid on or after 01-04-2003 @12.5% for the Income tax and surcharge @2.5% of the Income tax.

(B). BENEFITS TO THE MEMBERS:

I. UNDER INCOME TAX ACT, 1961:

(a) RESIDENT MEMBERS:

1. Under section 10(34) of the Income tax Act dividend on or after April 2003 is exempted in the hands of individual and HUF and as per section 115(O) of the Income tax Act any amount declared, distributed or paid by such company by way of dividend on or after the first day of April 2003 shall be charged @ 12.5% by the company.
2. In terms of section 10(23D) of the Income Tax Act, all mutual funds setup by public sector bank or public financial institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the reserve bank of India, subject to the conditions specified therein are eligible for exemption from Income Tax on all their income, including income from investments in shares of the company.
3. Under the Provisions of Section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the gains if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
4. In accordance with and subject to the conditions and to the extent specified in Section 54 EC of the Income Tax Act, 1961, the Shareholders would be entitled to exemption from long Term Capital Gains on sale of shares of the company upto investment made out of long Term Capital Gains arising from the sale of such shares in any specified Bonds issued by National Bank for Agriculture and Rural Development (NABARD), National Highways Authority of India (NHAI), Rural Electrification Corporation of India (RECI), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB).
5. In case of shareholder, being an individual or Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Income Tax Act, 1961 the shareholders would be entitled to exemption from Long Term Capital Gains on sale of their shares in the company upon investment of Net consideration in purchase/construction of a residential house.
6. Under the Provisions of Section 112 of the Income Tax Act, 1961 subject to compliance of certain conditions, w.e.f 1st April, 1999, the tax on the Long Term Capital Gains arising on sale of the equity shares of the company on being listed with the stock exchanges will be lower of 10% (plus Surcharge, if any) of Capital Gains (Computed without indexation benefit) or 20% (Plus Surcharge, if any) of Capital Gains (Computed with indexation benefits).

(C).NON-RESIDENT INDIANS / NON-RESIDENT MEMBERS [Other than FIs and Foreign venture capital investors]:

- i. Under section 115 -I of the Act, a non-resident Indian (i.e an individual being a citizen of India or person of Indian origin who is not a 'resident') has an option to be governed by the provisions of Chapter XXII - A of the Income Tax Act, 1961 viz. " Special Provisions Relating to Certain Incomes of non - residents" which are as follows:
 - a. In case of Non-Resident Shareholders, if the shares in the company have been acquired or purchased with, or subscribed to, in convertible foreign currency, the Long Term Capital Gains on Sale of shares in the company(transfer of shares held for more than a period of 12 months) (in case not covered under section 10(36)of the act) shall be concessionally charged to tax at the rate of 10% (Plus Surcharge as applicable) (without indexation benefit but with protection against foreign exchange fluctuation) without aggregating any other income earned in India, which is taxed separately as specified in clause (b) to Section 115E.
 - b. The long Term Capital Gains on sale of shares (in case not covered under section 10(36)of the Act) in the company shall be exempted from tax upon re-investment of Net consideration in any specified assets as specified in sub section (1) to Section 115F within six months from the date of Transfer of shares. The amount so exempt from tax shall, however, be chargeable to tax, if the new asset is transferred or converted into money within three years from the date of acquisition of the specified new asset.
 - c. Long Term capital gain on transfer of securities not chargeable to tax in cases covered by securities transaction tax (Sec.10(38), applicable from the assessment year 2005-06)

A new clause (38) has been inserted with effect from the assessment year 2005-06 in section 10.

Conditions - The flowing conditions should be satisfied -

1. Taxpayer is an individual, HUF, firm or company or any other taxpayer.
2. The asset which is transferred is long-term capital asset.
3. Such asset is equity share in a company or units of equity oriented mutual fund. For this purpose "equity oriented fund" means a fund which satisfies the following points-
 - a. the investible funds are invested by way of equity shares in domestic companies to the extent of more than 50 percent of total proceeds of such fund (the percentage or equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures); and
 - b. the fund has been set up under a scheme of a mutual fund specified section 10 (23D).
4. The transaction of sale of such equity share or unit is entered into in a recognized stock exchange in India.
5. Such transaction takes place on or after the date on which Chapter VII of the Finance (No2) Bill, 2004 comes into force.
6. The transaction is chargeable to securities transaction tax.

Consequences if the above conditions are satisfied - If the above conditions are satisfied the long-term capital gain is not chargeable to tax, Conversely, if the above conditions are satisfied and assets are transferred at a loss, such long -term capital loss cannot be set off against any income in the year in which the loss is incurred or in a subsequent year.

It may be noted that if the above conditions are satisfied an assets are short-term capital assets, then the short-term capital gain is taxable at the rate of 10 percent (plus surcharge plus education cess) by virtue of section 111A

- c. Under Section 115 G of the Income Tax Act, a Non-Resident Indian is not obliged to file a Return of Income under section 139(1) of the Income Tax Act, 1961, if his total income consists only of income from investments and/or long term capital gains earned on transfer of such investments and tax has been deducted at source from such income under the provision of Chapter XVII-B of the income Tax Act, 1961.
- d. Under Section 115H of the Income Tax Act, where a Non- Resident Indian becomes assessable to tax in India, in relation to any previous year, as resident in India in respect of his total income of any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with his Return of Income under Section 139 for the assessment year for which he is so assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset, being asset of the nature referred to in sub clause (ii) to sub clause (v) of the sub clause(f) of Section 115C of the Income Tax Act, in which case the provisions of Chapter Xii A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.

- e. Under Section 115(i) of the Income Tax Act, a Non-resident Indian has the option of not being governed by the provisions of Chapter XII-A for any assessment year, whereby his total income for that assessment year (including income arising out of investment in the Equity Shares of the Company) will be computed according to the other provisions of the Act and will, therefore, be eligible to get concessions applicable to a Resident individual and will be liable to tax accordingly.
- f. In terms of section 10(34) of the Income tax Act, 1961, any income by way of dividends referred to in section 115 - O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the company is exempted from the tax.
- g. Under the provisions of Section 48 of the Income Tax Act, 1961, Capital Gains arising to a Non-Resident from the transfer of Capital Asset being shares in the company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer of the capital assets into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in terms of such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares of the Company.
- h. Under Section 54 EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act,) arising on the transfer of shares of the Company will be exempt from Capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
 - (a) National Bank for Agriculture and Rural development established under section 3 of the National bank for Agriculture and Rural Development Act, 1981.
 - (b) National Highway Authority of India constituted under section 3 of the National A Highway Authority of India Act, 1988.
 - (c) Rural Electrification Corporation Limited , the company formed and registered under the Companies Act, 1956.
 - (d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - (e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
- i. Under Section 54 ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act,) on the transfer of shares of the company, as and when it is listed will be exempted from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of an eligible public issue. Within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
 - (a) the issue is made by a public company formed and registered in India.
 - (b) the Shares forming part of the issue are offered for subscription to the public.
- j. Under Section 54 F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of The Act,) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and tow year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- k. Under Section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, Long Term Capital gins (i.e is shares are held for a period exceeding 12 months) (incase not covered under section 10(36) of the Act,) arising on transfer of shares in the Company, shall taxed at the rate of 20 % (Plus applicable surcharge) after indexation as provided in the second provision to section 48 . The amount of such tax should however, be limited to 10 % (plus applicable surcharge) without indexation, at the option to the shareholder, if the transfer is made after listing of shares.

(D). FOREIGN INSTITUTIONAL INVESTORS:

- a. In terms of section 10(34) of the Income tax Act, 1961, any income by way of dividends referred to in section 115 - O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of the company is exempted from the tax.
- b. In our opinion, the equity Share under this offer document constitute eligible shares and the benefit, as stated above, would be available provided the above conditions are complied with.

c. The income by way of short term capital gains or long term capital gains (not covered under section 10 (36) of the Act) realized by FII's on Sales of shares in the company would be taxed at the following rates as per section 115 AD of the Income Tax Act, 1961.

- Short Term Capital Gains - 30 % (Plus Applicable Surcharge)
- Long Term Capital Gains - 10 % Plus Applicable Surcharge (Without Cost Indexation and protection against Foreign Exchange Fluctuation)

(Shares held in a company could be considered as a long term capital asset provided they are held for a period exceeding 12 months)

d. Under Section 54 EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, longterm capital gains (in cases not covered under section 10(36) of the Act,) arising on the transfer of shares of the Company will be exempt from Capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

(a) National Bank for Agriculture and Rural development established under section 3 of the National bank for Agriculture and Rural Development Act, 1981.

(b) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988.

(c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

(d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and

(e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.

e. Under Section 54 ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act,) on the transfer of shares of the company, as and when it is listed will be exempted from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

(a) the issue is made by a public company formed and registered in India.

(b) the Shares forming part of the issue are offered for subscription to the public.

Subject to certain conditions laid down in Section 115AD of the Income Tax Act, Foreign Institutional Investors will be charged to tax at 20% (plus Surcharge as applicable) on dividend from shares of the Company, at 10% (plus Surcharge as applicable) on the Long Term Capital Gains arising from the transfer of the shares of the Company and at 30% (plus surcharge as applicable) on Short Term Capital Gains arising from the transfer of the shares of the Company.

II. UNDER WEALTH TAX ACT, 1957:

The member of the company will not be liable to pay any Wealth Tax in respect of Shares held by them since the same are not covered under the definition of "ASSETS" under section 2 (EA) of the Wealth Tax Act, 1957.

III. UNDER GIFT TAX ACT, 1958:

With effect from 1st October 1998 no gift tax shall be levied on gift of shares of the Company.

NOTES:

1. All the above benefits are as per the Current Tax Law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect if Non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Agreements, if any, between India and the Country in which the Non Resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

INDUSTRY OVERVIEW

INTERNET SERVICES INDUSTRY - AN OVERVIEW

The state-owned Videsh Sanchar Nigam Limited (VSNL) launched Internet Services in India in August 1995. For the first four years, VSNL was the sole provider of Internet Services in the Country. In November 1998, the Government ended VSNL's monopoly and allowed provisioning of Internet Services by Private Operators. The terms and Conditions of the ISP's License were very liberal with no License Fee and allowed unlimited number of players. ISPs could set their own tariffs and even their own International Gateways.

DoT issues three types of Licenses - Category 'A' for all-India operations; Category 'B' for metros and state - level circles, and Category 'C' for medium and small cities (SDCAs).

Since 1995, a number of countries have permitted VOIP as a technology option to the classical PSTN as well as Internet Telephony so as to provide a cheaper alternative to classical PSTN calls. 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.

Internet Industry - A Snap Shot (as on Dec '03)

ISP Licenses Issued	590 +
ISP Licenses Surrendered	200 Approx.
Existing ISP Licenses	390 Approx.
Operational ISPs	189
ITSP Licenses Issued	116
Cities/Towns Covered	380 Approx.
Cyber Cafes / Public Access Kiosks	12300 Approx.
Internet Subscribers	4.1 Million
Clearance given for Commissioning ISP Gateways	55
Total Estimated Investment made by ISPs	Rs. 6600 crores
Estimated Investment made on Eqpt. by ISPs	Rs. 2750 crores
Fresh Investment required during Tenth Five Year Plan	Rs. 19400 crores
Estimated Employment Provided (Direct/Indirect) by Internet Industry	1.1 lac

SALES AND MARKETING

At present the Company is providing Dial up connections, Leased Line connections, Web Hosting & Web Designing services. The Company derives most of its revenues from providing Internet services through Leased Lines. In the future the Company is planning to focus more on leased line customers by providing them the best technical support.

The Company's strategy is to attract customers by aggressively pricing its services. Once customers have been acquired, the Company seeks to offer them high quality and value services. The Company is also planning to implement a low-cost strategy which is possible since the Company has a number of back bone providers providing services at very competitive prices. The Company intends to achieve this by having tie ups with cable operators to provide the services to the domestic customers/individuals/students at a very cost effective prices.

The Company intends to expand its marketing efforts, service offerings, and plans to capitalize on the following areas of growth:

- High-speed Internet connectivity via Optical Fiber Cable, Wireless, and other technologies.
- Web hosting and design tailored to small, local businesses.
- E-commerce and associated online databases.

Marketing Strategy

To generate sales, the Company uses direct marketing, telemarketing, computer reseller, trade shows, and high-traffic areas. Marketing initiatives are focused on four areas: Colocation facilities, Web hosting, dialup access, and Leased Lines. Marketing activities are concentrated in the following categories:

- Contact Campaigns: This initiative encompasses various methods of reaching potential customers to generate interest, followed by direct mail to the potential customer.
- Print advertising comprising of advertisements in several industry publications.
- Trade Shows: The Company participates in selected shows that provide an opportunity to develop exposure.
- Telemarketing Campaigns: Telemarketing activities geared to identify qualified leads, follow-up on sales progress to the qualified leads, and assurance that new potential contact lists are current and accurate.
- Promotional Give aways by advertising the Company's name by giving freebies.

Marketing Plan

The concentrated marketing activities focus on the business mission and are comprehensive in nature. The following activities are the marketing department's mission:

- Advertising design and placement.
- Public relations schedules.
- Planning and execution of all industry conferences, including the reservation of space, booths, personnel, messages, literature, etc.
- Collection, analysis, and internal dissemination of competitive information.
- Creation and maintenance of all corporate literature.
- Design, maintenance, and monitoring of websites.
- Collection and dissemination of client testimonials.

Technical Strategy

SBT has emerged as one of the leading ISP in the state of Andhra Pradesh because of its services to the customers' satisfaction. The Company has equipped itself with the latest technology to provide uninterrupted services to corporate and other leased line customers. The Company also has the strategy of upgrading to the innovative technologies.

BIO-DIESEL PROJECT

SBT has chalked out expansion plans for Rs. 1,710 lacs. Brief details of the above projects are given below:

RATIONALE AND OVERVIEW

India produces about 30% of its annual crude oil requirement of approx 105 million tons. For the balance 70%, the country relies on imports. The transportation sector accounts for almost 50% of the total crude oil consumed. According to estimates, the demand for diesel will touch 77.6 million tons by 2006-2007. Dependence on conventional petroleum based fuels has endangered the environment and ecology with disastrous consequences to natural resources. It is estimated that, at this rate well before the end of the new millennium the conventional sources of energy will be exhausted. The environmental degradation and socio economic pressures would aggravate the position.

The above situation has prompted various European and other countries to engage in the production of bio-fuels on sustainable basis. Various multilateral agencies like World Bank and Asian Development Bank have pledged to provide the resources necessary to achieve the goal of sustainable development of bio-fuels.

Indian situation

The Indian Government is also planning to bring out a National Policy on Biofuels. After announcing the 5% ethanol blending with petrol, it is considering implementing bio-diesel in the country. It is contemplating setting up a National Biofuels Development Board.

India also has a tropical advantage and several species capable of giving oil-bearing seeds are known to grow. *Jatropha curcas* (also known as Ratanjot, Wild Castor, Jangli Erandi) and *Pangomia pinnata* (also known as Karanj, Honge) are two such trees, which can thrive on any type of soil, need minimum input and management, and have low moisture

demand. It is estimated that currently about 100 million-hectares has been designated as wasteland (mostly under the control of the Government or its agencies) and presently these are not under regular farming. These can be used for cultivation of oil bearing seeds.

Bio-diesel from non edible oils

Bio-diesel is produced by transesterification of most vegetable oils and methanol. Broadly, bio-diesel has a higher cetane number than diesel, which contributes to smoother engine running, and a lower carbon number due to oxygen in the molecule.

Bio-diesel blends upto 20% with petroleum based diesel can be used in conventional engines designed after 1993 with no engine modifications. Blends from 5% up to pure bio-diesel of 100% have been in use in many countries. The high percentage blend requires minimal engine modifications.

The use of bio-fuels such as anhydrous ethanol and bio-diesel will minimize the dependence on oil imports to some extent and reduce the harmful vehicular emissions and also improve the rural economy.

Bio-diesel is getting wide acceptance and government support since it is a renewable source of energy and is eco-friendly and also promotes rural employment. Bio-diesel can be used in IC engines with little or not engine modification. Bio-diesel has physical properties very close to conventional diesel.

Emission properties, however, are cleaner for bio-diesel than for petroleum based diesel. Bio-diesel does not have any sulphur or polyaromatic compounds and has reduced toxic smoke and soot emissions. Bio-diesel or blends of bio-diesel with petroleum based diesel are safer to store, handle and use than petroleum based diesel.

The promotion of the use of oils could also provide an option of poverty alleviation in rural areas. Farmers can use vacant, waste and marginally used lands for growing such trees and benefit from the annual produce, which will add to their income. The demand for oils will remain large as long as there is un-satiated need for energy. The use of bio-fuels is also CO₂ neutral, which would mitigate green house effects.

BUSINESS OVERVIEW

A. THE COMPANY'S BUSINESS

LOCATION OF THE PLANT:

The Company's corporate office is situated at Saifabad, Hyderabad. The proposed manufacturing facility for manufacture of bio diesel is situated at Nalgonda district, Andhra Pradesh. Details of the facilities including address, area, etc. are given under the heading 'Location & Facilities' on page 40 of this Offer Document.

PLANT, MACHINERY, TECHNOLOGY, PROCESSES ETC:

The list of plant and machinery and other equipment required for the Project and the related details are given above in the section entitled 'Objects of the Issue'.

COLLABORATIONS, PERFORMANCE GUARANTEE OR MARKETING ASSISTANCE PROVIDED BY THE COLLABORATOR

The Company does not have any collaboration for the existing ISP business. For its foray in the field of bio diesel, the Company has entered into a tripartite agreement with Lurgi Life Sciences, Germany and CCI. The same is detailed on page no. 26 of this offer document under the heading 'Plant and machinery'. Besides, the Company has also entered into a Memorandum of Understanding with Sustainable Transformations Private Limited, Bangalore which has been established to take SuTRA's campaign forward in India.

Brief details about Lurgi Life Sciences, GMBH, Germany

Lurgi AG, incorporated in 1897, is a leading group of companies operating worldwide in the field of process engineering and plant contracting. Lurgi Life Sciences GMBH is a wholly owned subsidiary of Lurgi AG. Lurgi Life Sciences GMBH specializes in new types of technology oriented industrial plant contracting with a focus on pharmaceuticals, chemicals and renewable resources with high degree of flexibility and service orientation. Its paid up share capital currently is 194.4 million Euros and its turnover was 6,403,195,000 Euros for the year ended 31.12.2003.

Lurgi Life Sciences GMBH continuously invests in research and development of new technologies and have vegetable oil plants based on various technology chains meeting diverse customer requirements. Lurgi Life Sciences has built Germany's largest bio diesel plant in the turnkey mode which comprised of engineering, erection and startup of the plant which commenced production of 100,000 tons/year of bio diesel since March 2002. Prior to this plant being set up, Lurgi has been active in establishment of manufacturing facilities using raw materials ranging from natural fatty alcohols from palm oil and coconut oil.

Brief details about Chemical Construction International (P) Ltd (CCI).

CCI was established in the year 1973 with an authorised capital of Rs. 25 lacs. Its turnover for the FY2004-05 was Rs. 15 crores and was established to service the edible oils and fats industry in India. CCI has been involved in setting up over 200 projects on turnkey basis in India and abroad. CCI has also been involved in establishment of manufacturing facilities with the latest European technologies in the design of oil processing plants, spice oils and oleoresins, fatty alcohols and vegetable proteins. The paid up share capital of CCI is Rs. 23,03,000 and its turnover was Rs. 15,000 for the last financial year.

CCI is also involved in the field of manufacture of plant and machinery in the field of vegetable oil processing for the last 50 years and has executed projects varying in size from 15TPD to 500 TPD.

INFRASTRUCTURE FACILITIES:

Pertaining to the Proposed Bio Diesel unit

Utilities

a) Power

Requirement of power and its arrangements:

The maximum contract demand required for the proposed plant is 1,000 KVA and can be availed from the Andhra Pradesh Central Power Distribution Company Ltd (APCPDCL).

b) Water

Requirement of water

The Bio diesel production unit consumes 50 m³/ton of water. Water is sufficiently available around the proposed location from ground water. The water which is of adequately good quality is available at a depth of about 250 ft.

c) Manpower

In all, a staff of 84 would run the plant in three shifts. This includes 70 people towards production side and 14 towards administration, Marketing, Finance and Sales. The technical staff would be selected and trained on-site by the machinery supplier. The supplier would also be responsible for running and maintenance of the project during the first year of operation.

The Company at present has 42 permanent employees. The details of the same are as under:

Particulars	No. of Employees	Functional Area
Key Managerial Employees (4including 6 directors)	13	Finance, Administration, Marketing, Technical
Skilled	19	Network engineers, Quality Control and office work
Semi Skilled & Unskilled	10	Maintenance, Administration, Collection

Additional manpower requirements for the project are as under:

Particulars	Project	Functional Area
Management	1	General Manager
Skilled	33	Production, Quality Control, Maintenance etc.
Unskilled	16	Production, Maintenance etc.
Clericals and others	20	Accounts, Time office, Security, Stores and office work

The Company already has most of the key employees required for managing the proposed project operations. It will be recruiting the additional manpower as listed above in due course for which it does not envisage any difficulty as the same is easily available.

d) Raw material

For production of bio diesel at installed capacity, the Company would require 10,000 tons per annum of non edible oil. The Company already has the following arrangements for supply of raw material in place:

- The Company has entered into an agreement with Sustainable Transformations Private Limited (SuTRA), Bangalore, which is supported by Indian Institute of Sciences, Bangalore for supply of 400 tons of Pongamia / Jatropha / Neem / Mahuva seeds oil per month. SuTRA, is involved since a decade in promoting biofuel crops and seed crushers across the Country and has already installed more than 50 seed crushing units for Tribal Groups, NGO's and SHG's across the States of Andhra Pradesh and Maharastra and has well connected linkages with growers of seeds for fuel oils, traders of seeds, oil and cake, etc.
- The Department of Environment, Forest, Science & Technology, Government of Andhra Pradesh has plans to plant additional 30 - 60 million pongamia tress on degraded soils and waste lands in next few years.
- As per the market survey of Chemical Construction International Pvt. Ltd., 67,000 tons of various non edible vegetable oils / Fatty Acids / Distilled Fatty Acids / Acid oils etc., which indicates substantial availability of raw material in the State of Andhra Pradesh.
- The Company has been motivating the farmers to go for the plantation of Jatropha and Pongamia and also entered back to back purchase agreements with several farmers to purchase for their entire production to the Company.
- As an alternative arrangement, the Company has already tied up with Sunshine Chemicals (M) SDN BHD, Malaysia, for the supply of vegetable oil for the entire quantity of raw material requirement. In case of shortfall in availability of adequate raw material in India, the Company would import the quantity required.

Hence, the Company does not envisage any difficulty in procuring the requisite raw material for its bio diesel project.

e) Location & Facilities:

The details of SBT's Office premises and proposed production facility are provided below

S. No.	Location	Owned/ Rented/ Contract	Area	Type of facility
1	3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad - 500 004	Leased*	1961.27Sq.Fts	Corporate office
2	Survey No. 6 & 7, Samsthan Narayanpur (Village & Mandal), Nalgonda Dist, Andhra Pradesh, India	Owned	12 Acres	Biodiesel Factory Site

*: Lease taken from Mr. P. V. L. Narsimha Raju (lessor) for 5 years commencing October 1, 2000. The land is free from all encumbrances. The lessor is not related to the promoters of the Company.

f) Environmental aspects

For Bio - Diesel project

The project promotes the use of bio-diesel, which is a renewable fuel. Bio-diesel is comparatively clean, safe, biodegradable and free from sulphur content. Combustion of bio-diesel reduces serious air pollutants such as soot, particulate, carbon monoxide, hydrocarbons and air toxics. In view of the above, bio-diesel can be used as a substitute fuel to petroleum based diesel in transportation vehicles and hence use of bio-diesel is environmentally safe and reduces air pollution.

Further, substitution of petroleum based diesel with bio-diesel results in reduction of anthropogenic GHG emissions in the transportation sector, since the source of raw materials for bio-diesel manufacturing is Pongamia and Jatropha seeds which continually absorb CO₂ from the atmosphere. In addition, the project activity encourages plantation of new Pongamia and Jatropha trees in wasteland thereby increasing the greenery and making the wastelands more compact.

Hence, the project activity results in global environmental benefits by way of mitigation of greenhouse gases.

THE COMPANY'S PRODUCTS/SERVICES

The Company provides 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 by connecting through Bharti Broadband Backbone, and also has a redundancy through Reliance Infocomm Ltd (RIL). The Company's services include the following:

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

Following is a brief on the ISP services offered by the Company:

Dial Ups Services

The Company provides dial-up Internet access supporting the normal analog telephone connectivity which is normally used by small, medium and individual customers. The Company has various plans such as Access 25, Access 50, Access 100, Access 250, Access 500, Unlimited Internet Dial Up Access to cater to the internet needs of the customers.

Leased Lines

Leased Line solution provides high-speed, dedicated Internet access to the customer's Local Area Network (LAN). The Leased Line services involve laying of a physical loop line between the customer's office and the SBT POP, connection of routers and having a dedicated access port at the SBT POP. Subject to availability of line of sight between the customer's office and the SOL POP, a dedicated radio link is provided for dedicated, high-speed Internet access.

Web hosting and designing segment

The web hosting services are designed to provide secure, reliable, high-performance, and scalable web servers for online transactions. These services are flexible in nature to match the level of hosting needs of the customer.

Dedicated and collocation servers

The Company's managed dedicated servers provide clients with the ideal environment to host enterprise level websites typically having some or all of the following components: e-commerce, detailed Company information, interactivity, forms and email, etc.

The Company offers Co-location services to clients who require an offsite location to host mission-critical server equipment for activities such as high volume customer requests, order fulfillment, or disaster recovery planning. The Company's co-location systems can host a variety of Operating System (OS) platforms with multiple levels of connectivity. The Company offers UNIX and NT hosting plans catering to different segments of customers based on various parameters such as space required, pricing, etc. The Company provides round the clock customer service for solving any queries that arise.

Managed Firewall Services

The Company offers state-of-the-art security management and firewall technology for protection of internet sites and networks of customers using Internet Security Systems (ISS), Real Secure intrusion detection software to recognize and correct attempted attacks before the customer's systems are compromised. SBT works with the customers to develop and define their firewall security policy and then offers customized solutions including installation of the firewall and managing the security system of customer's network.

RESEARCH & DEVELOPMENT:

The Company at this point of time has no research and development center for biodiesel and in view of the technical support from Lurgi, no R&D is required.

MARKETING & SELLING ARRANGEMENTS:

ISP:

To generate sales, the Company uses direct marketing, telemarketing, promotional giveaways, computer reseller, trade shows and high-traffic areas. The Company has excellent marketing department with vast experience in the field of marketing to promote the services of the Company. The Company enters Service Level Agreement (SLA) with customers to provide services of the Company. Copies of SLA entered with few customers enclosed.

BIO-DIESEL:

For the sale of bio-diesel, the Company initially planning to sell most of its production to the public sector undertakings such Indian Railways, APSRTC, Municipal Corporation etc. Apart from that the Company is planning to sell part of its production to private sector industries and private transportation fleet owners. In this regard the Company has already obtained Letter of Interest to purchase bio-diesel from Indian Railways, Vishakapatnam Municipal Corporation, Andhra Pradesh Lorry Owner's Association etc, Copies of Letter of Interest enclosed.

Buyers' Agreements

The Company has already received letters showing expression of interest (EOI) from the Indian Railways, Vishakapatnam Municipal Corporation, Andhra Pradesh State Lorry Association and some private Companies in fields of construction, hospitals, etc.. Discussions with the Andhra Pradesh State Road Transport Corporation are in process. These EOIs would be converted into firm Agreements once Bio Diesel production begins.

B. BUSINESS STRATEGY OF THE COMPANY

ISP:

At present the Company is providing Dial up connections, Leased Line connections, Web Hosting & Web Designing services. The Company derives most of its revenues from providing Internet services through Leased Lines. In future the Company is planning to focus more on leased line customers by providing them the best technical support.

The Company's strategy is to attract customers by aggressively pricing its services. Once customers have been acquired, the Company seeks to offer them the best services. Also, the Company responds quickly to changing opportunities and take advantage of the latest technologies.

The Company is also planning to implement a low-cost strategy which is possible since the Company has a number of back bone providers providing at very best prices. This will be achieved by having tie ups with cable operators to provide the services to the domestic customers/individuals/students at a very cost effective prices.

The Company intends to expand its marketing efforts, service offerings, and plans to capitalize on the following areas of growth:

- High-speed Internet connectivity via Optical Fiber Cable, Wireless, and other technologies.
- Web hosting and design tailored to small, local businesses.
- E-commerce and associated online databases.

Marketing Strategy

To generate sales, the Company uses direct marketing, telemarketing, computer reseller, trade shows, and high-traffic areas. Marketing initiatives will focus on four areas: Collocation facilities, Web hosting, dialup access, and Leased Lines. Marketing activities will be concentrated in the following categories:

- **Contact Campaigns:** This initiative will encompass various methods of reaching potential customers to generate interest, followed by direct mail to the potential customer.
- **Print Advertising:** Ads will be developed and placed in several industry publications.
- **Trade Shows:** The Company will participate in selected shows that will provide an opportunity to develop exposure. This is a very effective tool in creating awareness and stimulating lead activity.
- **Telemarketing Campaign:** Telemarketing activities geared to identify qualified leads, follow-up on sales progress to the qualified leads, and assurance that new potential contact lists are current and accurate.
- **Promotional Give Aways:** This is a traditional way of advertising a Company's name by giving something away.

Marketing Plan

The concentrated marketing activities focus on the business mission and are comprehensive in nature. The following activities are the marketing department's mission:

- Advertising design and placement.
- Public relations schedules.
- Planning and execution of all industry conferences, including the reservation of space, booths, personnel, messages, literature, etc.
- Collection, analysis, and internal dissemination of competitive information.
- Creation and maintenance of all corporate literature.
- Design, maintenance, and monitoring of websites.
- Collection and dissemination of client testimonials.

BIO-DIESEL:

Commercialization

The first stage of the project is intended primarily to prove the efficiency and benefits of Bio Diesel on the environment, operating costs of the vehicle to the operators, the government, and the general public. Once the users accept the Bio Fuel, as expected, the plant will increase production from 24 tons a day to 27 tons per day (TPD). As the plant's installed capacity is already 30 TPD, the expansion will not incur major costs, other than an increase in the working capital and manpower. By the end of the first year of operation, commercialisation of Bio Diesel will be in place.

Buyers' Agreements

The Company has already received letters showing expression of interest (EOI) from the Indian Railways, Vishakapatnam Municipal Corporation, Andhra Pradesh State Lorry Association and some private Companies in the fields of construction, hospitals, etc. Discussions with the Andhra Pradesh State Road Transport Corporation are also in process. These EOIs would be converted into firm Agreements once Bio Diesel production begins.

Transport

The proposed plant will be situated within 55 kilo meters of Hyderabad city, so transporting Bio Diesel to users will not be much of a problem. For the bulk purchasers-the bus Company and the railways-Bio Diesel would be supplied by the Company's tanker truck. For the trucks and three wheelers participating in the project, a Bio Diesel pump would be installed at a convenient location. The tanker costs are included in the project.

Governmental support

The Company has been interacting with the Government of Andhra Pradesh for promotion of its Bio diesel program. In support of this, the Government of A.P, vide its letter no. 2005/For.II/2003 dated 16.4.2004 has recommended the project to Ministry of Environment and Forests, Government of India, New Delhi for Host Country Approval. Subsequently the Company has obtained Host Country Approval from the Ministry of Environment and Forests, Government of India, New Delhi vide their letter no. F.No.4/10/2003-CCC dated 25th November 2004 by which the Company is able to sell CERs (Carbon Emission Reductions) globally and has got a letter of Intent from a German Company to purchase the same. The Government of Andhra Pradesh vide its aforesaid letter has assured the Company of full support and co-operation towards the bio diesel.

C. COMPETITIVE STRENGTHS OF THE COMPANY

ISP SERVICES

The Company was one of the first Licensed Private Operators to provide Internet Services in the State of Andhra Pradesh. The Company provides services like Dial up, leased line, web hosting, dedicated server, Networking solutions, VOIP services with 24/7 customer service. The Company provides off the shelf customized services as per the requirement of the customers and maintains good quality of service, support apart from providing value added services like LINUX deployment, Router configurations, Data maintenance, etc.,

Biodiesel

The Company has been working for the last three years to establish the first commercial Biodiesel project in India with technology from one of the reputed German Companies, Lurgi for the production of Biodiesel meeting ASTM Standards. Since three years the Company has been interacting with the Government of India, Government of Andhra Pradesh, A.P. Pollution Control Board, Forest Department, APFDC in connection with establishment of Biodiesel plant and plantation of Jatropa & Pongamia seeds. The Company has received approval from the Ministry of Environment, Science & Technology for sale of Carbon Emission Reductions (CERs). The Company has already received letter of intent from 500 PPM, a German Consortium to purchase the same. The Company has also already received the letter of intent to purchase the Biodiesel project from Indian Railways, Visakhapatnam Municipal Corporation and some other private sector industries. The Company has also been invited by the World Bank and presented the project proponents. Also the Company has been interacting with GTZ (German Technical Co Operation) for the promotion of Biodiesel. The Company has presented the project proponents to the World Bank and in turn GTZ has shown keen interest in the project and granted some funds (Euro 380,000) looking into socio environmental benefits apart from creating rural employment. The Company also has technical support of ICRISAT and SuTRA and a team of well experienced technical advisors. The Company has also entered into a Management System Certification Agreement with DNV (Det Norske Veritas) for CDM validation of the bio diesel production plant of the Company as per Gold Standards.

D. INSURANCE

The present activities of the Company comprise of provision of ISP services for which certain technical equipment is utilized. The Company has obtained insurance cover from Oriental Insurance Company Limited for critical equipment pertaining to ISP business against fire. The insurance policies are for a period of one year which are renewed on expiration.

E. PROPERTY

The details of SBT's Office premises and proposed production facility are provided below

S. No.	Location	Owned/ Rented/ Contract	Area	Type of facility
1	3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad - 500 004	Leased*	1961.27 Sq.Fts	Corporate office
2	Survey No. 6 & 7, Samsthan Narayanpur (Village & Mandal), Nalgonda Dist, Andhra Pradesh, India	Owned	12 Acres	Biodiesel Factory Site

*: Lease taken from Mr. P. V. L. Narsimha Raju (lessor) for 5 years commencing October 1, 2000. The land is free from all encumbrances. The lessor is not related to the promoters of the Company.

F. PURCHASE OF PROPERTY

Except as stated in "Objects of the Issue" in this Offer document and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Offer document, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase money is not material. The Company has not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

KEY INDUSTRY REGULATION

The Company's present operations comprise of the ISP business which comes in the purview of the New Telecom Policy (NTP), 1999. Within the NTP 1999, ISPs are governed by the agreement entered into with the Government of India, Ministry of Communications and Information Technology, Department of Telecommunications and the Telecom Commission.

There is no specific regulation governing the proposed foray into the field of bio diesel.

HISTORY AND CORPORATE STRUCTURE

HISTORY & BACKGROUND OF THE COMPANY:

Southern Online Bio Technologies Limited was originally incorporated as Southern Online Services Private Limited vide certificate of incorporation no. 01-30463 dated November 9, 1998 with Registrar of Companies, Andhra Pradesh at Hyderabad and subsequently converted into a Public Company on January 4, 2000. The name of the Company has been changed to Southern Online Bio Technologies Limited on March 31, 2004. The name of the Company has been changed to reflect the new line of business in which the Company is venturing.

The Company is promoted by C. M. Ramesh, N. Satish Kumar, K. Radha Krishna, B. Sreedhara Reddy and B.H.R. Balaji.

The Company made an Initial Public Offer of 13,40,300 shares of Rs. 10 each at par on May 5, 2000 and was listed on the HSE and BgSE.

The Company entered into an Agreement with the Government of India, Ministry of Communications and Information Technology, Department of Telecommunications and the Telecom Commission vide License Agreement no. 820-75/98-LR dated December 10, 1998 and License Agreement no. 820-75/2002/LR dated June 4, 2002 for providing VOIP services.

The aforesaid License entitles the Company to provide Internet and other specified services in the Andhra Pradesh circle which constitutes the state of Andhra Pradesh. The Company was exempt from paying any License fees up to October 31, 2003 and pays a nominal License fee of Re. 1 per annum since the said date. The Company has also furnished a performance bank guarantee for providing the internet and specified services.

The License as specified within the aforesaid License Agreement is valid for a period of 15 years extendable on request of the Company for a minimum period of 5 years or longer period based on the discretion of the Licensor.

The Company was one of the first ISPs to commence operations in the State of Andhra Pradesh. The Company provides internet services such as Dialup service, Lease lines, web hosting services, dedicated and collocated servers, FTP services.

The Company has more than 10,000 dial-up customers and around 120 corporate customers to its database. Valued customers include Osmania University, JNTU, , A. P. State Anti-Corruption Bureau, AP Forensic Lab, Society for elimination of Rural Poverty, , Value Labs, Talluri Technologies, Brigade Corporation, Northgate BPO, Navionics Technologies Ltd etc. to name a few.

In spite of recession in IT & IT enabled market, Southern Online has achieved a decent turnover of around Rs.332.12 lacs, Rs.309.04 lacs, Rs.307.10 lacs & Rs.310.44 lacs with a net profit of Rs.64.24 lacs, Rs.5.97 lacs, Rs.4. lacs & Rs.4.64 lacs for the Financial Years 2000-01, 2001-02, 2002-03 & 2003-04 respectively. The ISP business witnessed significant competition in the year 2002, consequently the tariffs declined significantly vis-à-vis 2001. The decline in profits was steep from Rs. 64.24 lacs in FY01 to Rs. 5.96 lacs in FY02. The Company has achieved a turnover of Rs.400.19 lacs with a PBT of Rs.24.97 lacs for FY2005 when compared to turnover of Rs. 309.94 lacs with PBT of Rs.5.03 lacs for FY2004.

The Company has entered into strategic technical and business tie-ups with leading Companies like HCL Info systems, CMC Ltd, Intel ISP, Global Telecom Ltd., RIL, Bharati, etc. with a view to take advantage of the current market scenario and penetrate into new market segments.

The Company has executed application projects for Idea Cellular Ltd. (erstwhile TATA Cellular Ltd.) and also has a tie-up with CMC Ltd., and executed a billing software project for their ISP operations. Apart from that it has team of experts in web designing who has executed various projects for customers.

However, considering the opportunities in the field of manufacture and supply of alternative fuels to petroleum based fuels, the promoters have decided to diversify into manufacture and supply of bio - diesel. Bio - diesel is an alternative fuel which is derived from non edible vegetable seed oils such as Pongamia, Jatropha, etc. The Company has acquired the entire share capital of Southern Biofe Biofuels Pvt. Ltd. recently to execute this project.

Major events in the history of the Company is given below:

Year	Event
1998-99	<ul style="list-style-type: none"> ● Launched ISP services
2000	<ul style="list-style-type: none"> ● IPO
2002	<ul style="list-style-type: none"> ● Started research on Bio Diesel
2003	<ul style="list-style-type: none"> ● MD Visited World Bank to attend the Development Market Place Competition and Knowledge Exchange at the World Bank Headquarters, in Washington D.C
2004	<ul style="list-style-type: none"> ● Acquisition of Southern Biofe Biofuels Pvt. Ltd.
	<ul style="list-style-type: none"> ● Agreement entered with ICRISAT for technical assistance for plantation of Jatropha & Pongamia.
	<ul style="list-style-type: none"> ● Approval received from the Ministry of Environment & Forests, Government of India, New Delhi for sale of Carbon Emission Reductions (CERs).
2005	<ul style="list-style-type: none"> ● Foundation stone laid at the bio diesel manufacturing facility at Nalgonda district
	<ul style="list-style-type: none"> ● Grant of 380,000 Euro received from the Government of Federal Republic of Germany
	<ul style="list-style-type: none"> ● Agreement entered with Sustainable Transformations Private Limited, Bangalore for supply of 400 tons of Pongamia, Jatropha, etc.
	<ul style="list-style-type: none"> ● Trial runs using 20% Bio Diesel blend commenced with APSRTC using one local transport bus on June 5, 2005

Changes in Registered Office

The registered office of the Company is situated at 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad - 500 004, and the same is taken on lease. There have been no changes in Registered Office of the Company since incorporation.

Changes in Name:

Previous Name	Changed Name	Date of Change	Reason for change
Southern Online Services Private Limited	Southern Online Services Limited	January 4, 2000	Converted to public limited company
Southern Online Services Limited	Southern Online Bio Technologies Limited	March 31, 2004	For inclusion of activities mentioned in main object clause

MAIN OBJECTS OF THE COMPANY:

The main objects of the Company as given in MoA are reproduced below:

1. To carry on in India or elsewhere all or any of the business or businesses in the fields of Internet, video tele conferencing, Communications including Tele Communications & Satellite Communication, CAD/CAM, Geographical Information Systems, Animation, Database Services, Networking and all other developments in the field of internet, and software services.
2. To carry on the business of rendering services as principles, agents, contractors otherwise technical know-how and consultancy services in the field of internet software development and ether electrical and electronic communications, hire, lease, sublease, use of internet facilities for operations research, technical services including commercial exploitation thereof and any patents, know-how, rights or privileges for the time being acquired by or belonging to the Company.
3. To carry on the business of manufacturing, production, preparation, preservation, canning, refining, bottling, trading, research and development, rendering services as principles, agents, exporters or importers, contractors or otherwise technical know-how and consultancy services in the field of production, manufacture, trading of Alternative Fuels, Bio-diesel, Biofuels, Conventional and / or Non Conventional Renewable Energies and Bio Energy and all kinds of other related products including commercial exploitation thereof and any patents, know-how rights or privileges for the time being acquired by or belonging to the Company.

4. To conduct, study, research, analyze, computerize, codify, reconcile, rectify, the systems bio-technological products and deal in bio- chemical compounds, tools, apparatus, systems and to use new and imported designs, models modulations, calculations, reports, Performa in the field of bio-technology and Biofuel. And to manufacture, develop, buy, sell, import, export, study, turn into account and deal in all kinds and varieties of bio-compounds, chemicals, combinations, substances either solid or liquid or air based used ingredients, in the manufacture and preparation of intoxicants, sedatives, drug formulations, chemical compounds, pharmaceutical formulations oils, grease, liquid and solid substances, and to manufacture, buy, sell and deal in bio-technic, bio-tecnological and bio-chemical, biofuel, carbon credits, raw materials and ingredients used in the above activity. And To carry on the business of consultancy which includes aspects relating technical, and other aspects in the field of Bio technology and Biofuel. And to undertake, promote, assist, engage, and deal in research, development and manufacturing and distribution of Bio Technology Products and Services related to Clinical Diagnostics, Diagnostic kits, Biological products, Therapeutics and Genomics. And to setup laboratories, purchase and acquire any equipment and instruments required for carrying out research in the fields of Biotechnology, Biofuel and Medical research.
5. To carry on in all its branches the business of, production, manufacture, sale, purchase, processing, refining, deal in, grow, plant, blend, produce, import, export, buy and sell, all kinds of agricultural and vegetable produce, food products, cereal products, beverages, tea, coffee, cocoa, seeds, fruits, vegetable, milk products, poultry, animal husbandry and products thereof, dairy and dairy products, vegetable, edible and non edible oils, crude oils, sludge oils, provisions, of all kinds, cattle food, oil extractions and manufacturers, millers, flour milling, cold storage plants and refrigeration equipment and other apparatus for preservation of agricultural and dairy produce, poultry products and food stuff and any goods or activity usually dealt in any of the above business. And to carry on the business of all kinds of farming, horticulture, sericulture, piciculture, dairy, gardening and of raising, breeding, improving, developing, buying, selling producing, preserving and dealing in all kinds of product of such business and in particular, food grains seeds pure bread and in bread game, meat cattle and other live and dead stock eggs, sausages, preserved meat, trees, plant, plant fruits, flowers and vegetable milk and milk products and to establish experimental farms and research station any where better qualities of seeds, food grains agricultural products and for developing milk strain in cattles by cross breeding or otherwise increasing egg laying capacity in poultry and also for finding other ways and means of improving other agricultural crops, produce, seeds, fodder crops and cattle feed of all kinds.

CHANGES IN MEMORANDUM OF THE COMPANY

Since incorporation of the Company, the following changes have been incorporated in the Memorandum, after approval of the members:

S. No.	Details of changes in MOA	Date of Resolution	Kind of Meeting
1	Conversion from Southern Online Services Private Limited to Southern Online Services Limited	25.11.1999	EGM
2	Change in the name of the Company from Southern Online Services Limited to Southern Online Bio Technologies Limited	25.03.2004	EGM
3	Increase in Authorised Capital: From Rs.10.00 Lacs to Rs.1.00 Crore From Rs.1.00 Crore to Rs.6.00 Crore From Rs.6.00 Crore to Rs.12.00 Crore From Rs.12.00 Crore to Rs.23.00 Crore From Rs. 23.00 Crore to Rs. 25.00 Crore	27.03.1999 25.11.1999 25.03.2004 09.06.2004 14.07.2005	EGM EGM EGM AGM EGM
4	To carry out the business of production of biodiesel and related activities, main objects Clauses 3, 4 & 5 have been inserted after the existing Clauses 1 & 2 in the Memorandum of Association	25.03.2004	EGM

SHAREHOLDERS AGREEMENTS

The Company does not have any subsisting Shareholding Agreements as on the date of filing this Offer document.

OTHER AGREEMENTS

The Company does not have any technical assistance agreement/other agreements except the following:

- Tripartite agreement entered into with Lurgi Life Sciences and CCI which is detailed on page 26 of this offer document under the heading 'Plant and Machinery'.
- Memorandum of Understanding (MoU) entered into with Sustainable Transformations Private Limited (STPL) whereby STPL is taken as a consultant for the bio diesel manufacturing facility. The brief terms of the MoU are detailed on page 40 of this offer document under the heading 'Raw materials' forming part of the section on 'Utilities'.
- Memorandum of Agreement entered with International Crops Research Institute for the Semi - Arid Tropics (ICRISAT) where by the ICRISAT provides technical assistance to farmers to undertake plantation and processing of Pongamia Pinnata (Karanja / Kanuga), Jatropha Curcas (Ratanjyoth) and other Oil seed bearing trees.
- Management System Certification Agreement entered with DNV (Det Norske Veritas) for CDM validation of 30 tons biodiesel production plant of the Company as per Gold Standards.

MANAGEMENT

The following table sets forth details regarding the Board of Directors:

Name, Address, Age and Occupation, Designation	Other Directorships
<p>Mr. N Satish Kumar S/o Mr. N V Subbaiah 8-3-227/F, Flat No.503, Sri Krishna Sai Apartments, Near Yousufguda Check Post, Yousufguda, Hyderabad - 500 036. Age : 35 years Occupation : Business Designation : Managing Director</p>	Southern Biofe Bio Fuels Pvt. Ltd.
<p>Mr. K Radha Krishna S/o Mr. K V Krishnaiah 5-9-22/26, Hill Fort, Adarshnagar, Hyderabad - 500063. Age : 36 years Occupation : Business Designation : Director - Finance</p>	Southern Biofe Bio Fuels Pvt. Ltd.
<p>Mr. B Sreedhara Reddy S/o Mr. B Gurivi Reddy 8-3-227/F, F.No.103, Sri Krishna Sai Apartments Yousufguda Check Post, Hyderabad - 500 036. Age : 34 years Occupation : Business Designation : Director - Administration</p>	Southern Biofe Bio Fuels Pvt. Ltd.
<p>Mr. B H R Balaji S/o Mr. B C H Rayudu F.No.308, Krishna Apartments Road No.4, Banjara Hills, Hyderabad - 500034. Age : 32 years Occupation : Business Designation : Executive Director</p>	Southern Biofe Bio Fuels Pvt. Ltd.
<p>Mr. K.Tejesh Kumar S/o Mr. K Rambabu Flat No.201, II Floor, Ramakrishna Krupa Residency, Beside S R Nagar Community Hall, S R Nagar, Hyderabad - 38 Age : 33 years Occupation : Business Designation : Director</p>	Global IT Inc. , Chicago

Name, Address, Age and Occupation, Designation	Other Directorships
<p>Mr.K. Venkateshwara Rao s/o .K.Appa Rao H.No: 4-22-29, Chaitanyapuri Main Road, Guntur, - 522 007, Andhra Pradesh. Age : 33 Occupation : Professional Designation : Director - International Affairs</p>	—
<p>Mr. Y. Anand Swaroop S/o Late Mr. Y Ratna Swamy 38, Model Colony, Hyderabad - 500038. Age : 38 years Occupation : Business Designation : Director</p>	—
<p>Dr. Emmanuel H. D'Silva S/o Late Mr. Lawrence Felix D'Silva B901 OLPS, Mari Nagar, Mahim West, Bombay - 400 016 Age : 54 years Occupation : Economist Designation : Director</p>	—
<p>Mr. B.Suresh S/o Mr. B Subba Rayudu 1-8-522/20A, Chikkadpally, Hyderabad. Age : 44 years Occupation : Business Designation : Director</p>	—
<p>Mr. Govardhannaidu Gummalla s/o Mr. G. Guruswamy Naidu Plot No. 1295, Road No. 63, Jubilee Hills, Hyderabad. Age : 41 years Occupation : General Manager - Technical Designation : Director</p>	—
<p>Ms. T. Rohini Reddy d/o Mr. V. Goverdhan Reddy 508, Deccan Crescent Heights, Street No. 7, Masjid Lane, Vidyanagar, Hyderabad, Andhra Pradesh. Age : 30 years Occupation : Service Designation : Director</p>	—
<p>Mr.V. Durga Prasad S/o. Late Sri.V.Niranjan Rao 205, 7-1-282, Snehasirisampada Apts., S R Nagar, Hyderabad Age : 33 years Occupation : Business Designation : Director</p>	—

The brief profile of the Board members, other than promoters, is given below:

Mr. K Tejesh Kumar

Mr. K. Tejesh Kumar, aged 33 years, is an MBA from Andhra University. He has executed several consulting and software development projects. He will be assisting the Company in technical and managerial development. He is also a director of Global IT Inc., a software Company in Chicago, USA.

Mr. K Venkateshwara Rao

Mr. K Venkateshwara Rao, aged 33 years, has a Masters Degree in Computers from Osmania University, Hyderabad. He has over a decade of experience in various technology Companies. Prior to joining the Company, he was the Chief Information Officer for Global IT Inc., a Software Development Firm providing software development services to Fortune 1000 Companies including Motorola, Seagate and Mcdonald's. He is appointed as Director - International Affairs for the Company.

Mr. Y. Anand Swaroop

Mr. Anand Swaroop, aged 38 years, is a graduate in Mechanical Engineering from Osmania University, MBA & M. Phil in Econometrics from London School of Economics. Mr. Anand Swaroop has 18 years of experience in IT Sector. He is a Regional director of HCL Infosystems Limited. His knowledge and relationships in IT sector has helped the Company in many ways including getting more business.

Dr. Emmanuel H. D'Silva

Dr. Emmanuel H. D'Silva, aged 54 years, has done his Ph. D in Natural Resource Management from Victoria University of Wellington, New Zealand. He also holds a Diploma in Journalism from R.P. Institute of Communication Studies, Bombay, India. Dr. Emmanuel H. D'Silva has an experience of more than 15 years at the World Bank, Washington, DC, and USA covering a wide range of projects in Africa, South Asia, and Southeast Asia in the areas of environment, agriculture, rural development, education, and external affairs. For last five years, he is working on educating the tribals on commercial usage of Pongamia trees, extraction of oil from pongamia seeds, power generation using pongamia oil etc. in Adilabad district of Andhra Pradesh, India.

Mr. B. Suresh

Mr. B. Suresh, aged 44 years, is an Arts graduate and holds PG Diploma in Computer Applications. He has an overall experience of two decades in IT field. He is appointed as an Independent Director to comply with the Corporate Governance requirement of the Stock Exchanges.

Mr. G. Govardhannaidu

Mr. G. Govardhan Naidu, aged 41 years, is a Mechanical Engineer from JNT University, Hyderabad. He has worked for over a decade in various managerial positions with APSEB and is currently handling for execution and commissioning of a 7.5 MW Biomass power plant in a Power Company. He is appointed as an Independent Director to handle the overall erection and commissioning of the Bio Diesel plant.

Ms. T. Rohini Reddy

Ms. T. Rohini Reddy, aged 31 years, is a M. Sc. and M. Tech in Bio Technology. She is currently working as Asst. Professor (Bio Technology) at the CMR College of Engineering & Technology, Hyderabad. She has also been involved in R&D laboratories in fields of bio-technology research. She would be spearheading the Company's R&D efforts.

Mr. V. Durga Prasad

Mr. V. Durga Prasad, aged 33 years, has a Bachelors Degree in Arts from Osmania University, Hyderabad. He has over a decade of experience in marketing. He is appointed as Independent director to comply with Corporate Governance requirement.

BORROWING POWERS OF THE BOARD:

The Board of Directors of the Company has power to borrow upto Rs. 50 crores as per the Members' Resolution passed in the Extra Ordinary General Meeting of the Company held on January 5, 2000.

Resolution under sec 293 (1) (d)

"RESOLVED THAT pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall be deemed to include a Committee of Directors duly authorized in this behalf), to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from the bankers in the ordinary course of business) exceeds the aggregate of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount which may be borrowed by the Board of Directors shall not exceed Rs.50 crores (Rupees Fifty Crores only).

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do and execute all such acts, deeds, and things as may be necessary for giving effect to the above resolution".

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors of the Company for the creation of the mortgage/charge on the Company's immovable and movable properties, wheresoever situate, present and future, such charge to rank either pari passu with or second, subsequent, subservient and subordinate to all the mortgages/charges created/to be created by the Company for all existing and future borrowings and facilities whatsoever in favour of the lender(s).

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do and execute all such acts, deeds, and things as may be necessary for giving effect to the above resolution."

COMPENSATION TO MANAGING DIRECTOR & OTHER WHOLE TIME DIRECTOR

1. Mr. N.Satish Kumar is appointed as Managing Director of the Company for the period of 5 (Five Years) with effect from May 28, 2001 on the remuneration as detailed below:

I. Salary

Rs.1,00,000/- (Rupees One Lakh only) per month

II. Commission

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

III. Perquisites

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

Part - A

a] Medical Reimbursement

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

b] Leave Travel Concession

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

c] Club Fees

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

Part - B

a] Provident Fund

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

b] Pension / Superannuation Fund

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

(Note: The contribution towards Provident Fund and Pension / Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.)

c] Gratuity

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

Part - C

a] Car

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

b] Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other Benefits

Leave

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

V. Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

VI. Minimum Remuneration

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

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

2. Mr. B H R Balaji is appointed as Executive Director of the Company for the period of 5 (Five Years) with effect from January 5, 2005 on the remuneration as detailed below:

I. Salary

Rs.60,000/- (Rupees Sixty Thousand only) per month

II. Commission

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

III. Perquisites

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

Part - A

a] Medical Reimbursement

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

b] Leave Travel Concession

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

c] Club Fees

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

Part - B

a] Provident Fund

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

b] Pension / Superannuation Fund

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

(Note: The contribution towards Provident Fund and Pension / Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.)

c] Gratuity

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

Part - C

a] Car

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

b] Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other Benefits

Leave

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

V. Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

VI. Minimum Remuneration

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

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

3. Mr. K. Radha Krishna is appointed as Director - Finance of the Company for the period of 5 (Five Years) with effect from January 5, 2005 on the remuneration as detailed below:

I. Salary

Rs.60,000/- (Rupees Sixty Thousand only) per month

II. Commission

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

III. Perquisites

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

Part - A

a] Medical Reimbursement

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

b] Leave Travel Concession

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

c] Club Fees

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

Part - B

a] Provident Fund

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

b] Pension / Superannuation Fund

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

(Note: The contribution towards Provident Fund and Pension / Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.)

c] Gratuity

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

Part - C

a] Car

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

b] Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other Benefits

Leave

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

V. Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

VI. Minimum Remuneration

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

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

4. Mr. B Sreedhara Reddy is appointed as Director - Administration of the Company for the period of 5 (Five Years) with effect from January 5, 2005 on the remuneration as detailed below:

I. Salary

Rs.60,000/- (Rupees Sixty Thousand only) per month

II. Commission

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

III. Perquisites

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

Part - A

a] Medical Reimbursement

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

b] Leave Travel Concession

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

c] Club Fees

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

Part - B

a] Provident Fund

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

b] Pension / Superannuation Fund

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

(Note: The contribution towards Provident Fund and Pension / Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.)

c] Gratuity

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

Part - C

a] Car

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

b] Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other Benefits

Leave

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

V. Overall Remuneration

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be, for the time being, in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

VI. Minimum Remuneration

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

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

- 5. Mr. K Tejesh Kumar is appointed as Director - International Affairs of the Company for the period of 5 years with effect from October 29, 2004 at a consolidated remuneration of Rs.10,000/- per month.**
- 6. Mr. K Venkateshwara Rao is appointed as Director - International Affairs of the Company for the period of 5 years with effect from October 29, 2004 at a consolidated remuneration of Rs.10,000/- per month.**

Remuneration paid to Directors for the year ended March 31, 2005 is as under:

Rs. in lacs

Sr. No	Name of Director	Sitting Fees	Salaries / Perquisites	Commission	Total
1	N Satish Kumar	--	4.00	--	4.00
2	K.Radha Krishna	--	4.00	--	4.00
3	B.Sreedhara Reddy	--	4.00	--	4.00
4	B.H.R.Balaji	--	4.00	--	4.00
5	Y. Anand Swaroop	0.05	--	--	0.05
6	B. Suresh	0.05	--	--	0.05
7	K. Tejesh Kumar	0.02	--	--	0.02
8	Emmanuel H. D'Silva	0.04	--	--	0.04
9	K Venketewhara Rao	0.02	--	--	0.02
10	T Rohini Reddy	0.03	--	--	0.03
11	V Durga Prasad	0.03	--	--	0.03
12	G. Govardhan Naidu	0.02	--	--	0.02

CORPORATE GOVERNANCE

The provisions of the listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of our Equity Shares on the Stock Exchanges. SBT intends to comply with such provisions, including with respect to the appointment of independent Directors in the Board and the constitution of the following Board committees: the Audit Committee; the Remuneration Committee; and the Investors Grievances Committee. SBT undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the Listing.

The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, constituting of committees such as shareholding/ investor grievance committee, etc.

In this regard the Company agrees to comply with the provisions of Corporate Governance as follows:

Composition of Board of Directors:

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive as well as independent Directors.

Board Structure:

Sl. No.	Name of the Director	Designation	Nature of Directorship	Date of Expiry of Terms
1	N. Satish Kumar	Managing Director	Executive & Promoter Director	27.05.2006
2	K. Radha Krishna	Director - Finance	Executive & Promoter Director	04.01.2010
3	B. Sreedhara Reddy	Director - Administration.	Executive & Promoter Director	04.01.2010
4	B.H.R. Balaji	Executive Director	Executive & Promoter Director	04.01.2010
5	Y. Anand Swaroop	Director	Non-Executive & Independent Director	Retire by Rotation
6	B. Suresh	Director	Non-Executive & Independent Director	Retire by Rotation
7	K. Tejesh Kumar	Director - International Affairs	Executive & Promoter Group Director	28.10.2007
8	Emmanuel H. D'Silva	Director	Non-Executive & Independent Director	Retire by Rotation
9	G. Govardhannaidu	Additional Director	Non-Executive & Independent Director	Retire by Rotation
10	T. Rohini Reddy	Additional Director	Non-Executive & Independent Director	Retire by Rotation
11	K. Venkateshwara Rao	Director - International Affairs	Executive & Promoter Group Director	28.10.2007
12	V.Durga Prasa	Director	Non-Executive & Independent Director	Retire by Rotation

Audit Committee

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing Agreement to be entered into with the Stock Exchanges. The committee consists of all non-executive as well as Independent Directors.

Composition of Audit Committee:

S. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Y. Anand Swaroop	Chairman	Non-Executive & Independent Director
2	Mr. B. Suresh	Member	Non-Executive & Independent Director
3	Mr. T. Rohini Reddy	Member	Non-Executive & Independent Director

Brief Role & Functions of the Audit Committee:

The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of all non-executive and independent directors.

Composition of Remuneration Committee:

S. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. B.Suresh	Chairman	Non-Executive & Independent Director
2	Mr. Y. Anand Swaroop	Member	Non-Executive & Independent Director
3	Mr. V.Durga Prasad	Member	Non-Executive & Independent Director

The Committee performs the functions of Remuneration Committee as recommended in the listing Agreement to be entered into with the Stock Exchanges. It will determine the Company's policy on specific remuneration packages for executive directors.

Investors Grievances Committee

The Investor Grievance Committee consists of all non-executive and independent directors.

Composition of Investors Grievances Committee:

S. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. V.Durga Prasad	Chairman	Non-Executive & Independent Director
2	Mr. T.Rohini Reddy	Member	Non-Executive & Independent Director
3	Mr. G.Govardhannaidu	Member	Non-Executive & Independent Director

The Investors Grievances Committee looks into redressal of shareholder and investor complaints, Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities.

SHAREHOLDING OF DIRECTORS:

Name of the Director	Number of Shares	% of Paid up Share Capital
N. Satish Kumar	1,81,555	3.39
K. Radha Krishna	1,81,555	3.39
B. H. R. Balaji	1,81,555	3.39
B. Sreedhara Reddy	1,81,555	3.39
K Tejesh Kumar	2,500	0.04
K Venkateshwara Rao	2,500	0.04
Y. Anand Swaroop	2,000	0.04
B. Suresh	8,000	0.15
Emmanuel H. D'Silva	22,000	0.39
V. Durga Prasad	60,000	0.11

INTEREST OF PROMOTERS AND DIRECTORS

All the directors of SBT may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles.

All the Directors may also be deemed to be interested to the extent of:

- The shares, if any, held by them or by the relatives or by firms, trust or companies of which any of them is a Partner/ Member or Trustee and a Director.
- The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any firms, trust or companies of which any of them is a Partner/ Member or Trustee and a Director.
- The contracts, Agreements/arrangements entered into or to be entered into with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

- d) Transactions, if any, with entities in which directors are interested have been disclosed as related party transactions in the Auditors Report.

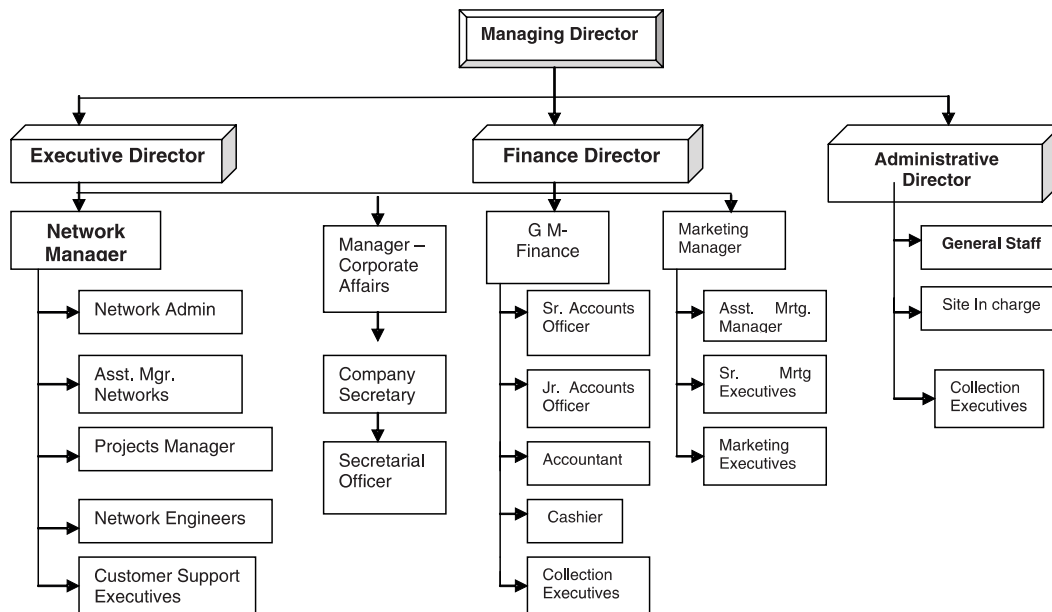
Except as stated above, Mr. N. Satish Kumar, who also held shares in Southern Biofe Biofuels Private Limited was allotted 71,745 shares of SBT on acquisition of Southern Biofe Biofuels Private Limited by the Company.

Except as stated above and otherwise in this Offer Document, the Company has not entered into any contracts, agreements or arrangement during the preceding two years from the date of the Offer document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangement or are proposed to be made.

CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Name	Date of appointment	Date of cessation	Reason
C. M. Ramesh	09.11.1998	17.03.2003	Due to pre-occupation
Y. Anand Swaroop	14.08.2002	—	Inducted as Independent Director
B. Suresh	14.08.2002	—	Inducted as Independent Director
V. Durga Prasad	14.08.2002	17.03.2003	Due to pre-Occupation
P. Niranjana Rao	14.08.2002	17.03.2003	Due to pre-occupation
K. Tejesh Kumar	14.08.2002	17.03.2003	Due to pre-occupation
T Brahmananda Reddy	15.10.2003	13.04.2004	Due to pre-occupation
K. Tejesh Kumar	15.10.2003	-	Inducted as Director - International Affairs
Emmanuel H D'Silva	13.04.2004	-	Inducted as Independent Director
Govardhannaidu Gummalla	29.10.2004	-	Inducted as Additional Director
T. Rohini Reddy	29.10.2004	-	Inducted as Additional Director
K. Venkateshwara Rao	29.10.2004	-	Inducted as Director - International Affairs
V. Durga Prasad	26.11.2004	-	Inducted as Additional Director

MANAGEMENT ORGANIZATION CHART



The Company, for its bio diesel project, is assisted by a technical consultant and has a team of technical advisors. The Managing Director of the Company, Mr. N. Satish Kumar, also devotes a substantial portion of his time to the bio diesel project. The Company would in due course appoint the requisite personnel for the bio diesel project. The support function personnel within the departments of Finance, Administration, etc. are also responsible for the bio diesel project.

Key Management Personnel

Sl. No.	Name	Designation	Age (in years)	Qualification	Date of Joining	Exp Yrs.	Previously Employed	Present Compensation (Rs. in lacs)
1.	Madhusudhan R G	GM – Finance	40	B.Com, C.A. (Inter)	1 st January 2005	18 years	Rithwik Power Projects Ltd.	3.00
2	R. Harsha Vardhan Reddy	Manager – Corporate Affairs	30	B. Sc, L.L.B, Pursuing C.S.	25 th September 2000	5 yrs	Secretarial Training with Mr. A. G. Ravindranath Reddy, Practising Company Secretary	1.33
3.	Mr. B. Narasimha Swamy	Manager Projects	33	M.A, Diploma in Computer Sciences	4 th June 1999	7 yrs	Network Engineer in Reliance Cybertech Pvt. Ltd.	1.57
4.	Mr. A.V.Anil	Marketing Manager	29	B. Sc (Computer Science)	1 st Jun-99	7 yrs	Marketing Executive in Pam Networks	1.64
5.	Mr. K.V.Butchi Babu	Manager – Networks	32	B. Sc (Computer Science) Advanced Diploma in Networking Technology	28 th June 2000	5yrs	Network Administrator and Hardware Engineer in P. G. College of Computer Sciences, Bodhan	1.31
6.	Mr. T.V.R. Subba Rao	Manager - Accounts & Finance	35	B.Com	1 st Apr-99	8 yrs	Accounts Officer in Vishakha Industries Ltd.	1.05
7.	Mr. Krishna Rao Desharaju	Compliance Officer & Company Secretary	29	M.Com, C.S.	26 th Nov 04	4 yrs	Company Secretary	1.80

BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL:

Mr.Madhusudhan R G – General Manager – Finance

Mr. Madhusudhan R G, aged 40 years, is a Commerce Graduate and has completed CA (Intermediate). He was previously employed as a General Manager in M/s. Rithwik Power Projects Limited since 1998 and his work involved project feasibility, project environmental management plan, project report, biomass assessment study, liaisoning with government agencies and financial institutions, project implementation / commissioning to finalization of Power Purchase Agreement with Government bodies. He is presently looking after finance and accounts at the Company.

Mr. R. Harsha Vardhan Reddy

Mr. Harsha Vardhan Reddy, aged 30 years, is a Science Graduate from Osmania University, He has also done LLB from Osmania University and is pursuing Company Secretary course. He has 5 years experience in the Company law and Secretarial matters, Compliance of Stock Exchange, SEBI and ROC regulations. He has joined SBT in September 2000 and looks after Secretarial and administration matters. He is one of the key personnel involved with Mr. N Satish in setting up Bio diesel unit in Hyderabad.

Mr. B. Narasimha Swamy

Mr. B N Swamy, aged 33 years, is a Post Graduate in Arts, Public Administration, from Osmania University, He has also done Diploma in Computer Science Engineering from Board of Technical Education, Karnataka. He has 7 years

experience in the Networking Projects viz. Network design, Evaluation, Network Implementation, Management & Administration etc. He has joined SBT in June 1999 and is designated as Project Manager – Networks. He is responsible for Network Auditing, Planning, Designing, Establishing Leased line connectivity from point to point etc.

Mr. A.V.Anil

Mr. A. V. Anil, aged 29 years, is a Science Graduate with specialization in Computer Science, He has 7 years experience in marketing of IT services. He has joined SBT in June 1999 and is designated as Marketing Manager. He is responsible for marketing of Company's ISP services to Corporate customers in Andhra Pradesh.

Mr. K.V.Butchi Babu

Mr. K V Butchi Babu, aged 32 years, is a Science Graduate with specialization in Computer Science from Osmania University, He also holds Advance Diploma in Networking Technology from AIIT, Hyderabad. He has more than 5 years experience in Network Administration and Hardware management. He has joined SBT in June 2000 and is designated as Network Manager. He is responsible for Systems & Network administrations.

Mr. T.V.R. Subba Rao

Mr. T V R Subba Rao, aged 35 years, is a Commerce Graduate from Andhra University, He has 8 years experience in Finance and Accounts. He has joined SBT in April 1999 and is designated as Manager – Accounts. He is responsible for overall accounting functions of the Company.

All the above employees are on the roll of the Company as permanent employees.

Mr. Krishna Rao Desharaju

Mr. Krishna Rao Desharaju, aged 29 years, is a Company Secretary from the Institute of Company Secretaries of India. He has 4 years experience in Secretarial matters, dealing with regulatory and compliance authorities like, RBI, Income Tax and Excise Dept, etc. He has also handled various issues pertaining to setting up of units under the STPI (Software Technology Parks of India) scheme. He has joined SBT in November 2004 and is designated as the Compliance Officer and Company Secretary in charge of secretarial matters.

PROFILE OF TECHNICAL ADVISORS

Besides the above Key managerial personnel, the Company is assisted by a team of technical experts in the field of renewable energy who advise the Company on various issues and assist the Company in monitoring the Bio Diesel project.

Dr. Christian A. Schmidt

Dr. Christian A. Schmidt has done post graduation from the German Development Institute, Berlin, Germany and is a PhD from the Technical University, Berlin, Germany. He is presently the Senior Advisor to President of Industrial Investment Council, Berlin, Germany on attracting foreign investment in Germany. He is also acting as a Senior Advisor to SBT for its bio diesel project. Formerly, he was employed with the World Bank and was responsible for development of certain countries in the Middle East/North Africa. He is also a founder director of the Orange County Bank in California, USA.

Prof. L. M. Das

Prof. L. M. Das has done M. Tech in Mechanical engineering from IIT Kharagpur and is a PhD in Mechanical engineering from IIT, Delhi and is currently a Professor in Centre for Energy Studies, Indian Institute of Technology (IIT) Delhi. To his accreditation, he is a member of Society of Automotive Engineers(SAE),USA, Member, International Association of Hydrogen Energy .USA, Life Member, Indian Society of Heat and Mass Transfer, Member, International Energy Foundation, Libya. He has handled various sponsored projects like production of bio diesel from non-edible oils and field trials of diesel car with bio diesel operations, funded by Ministry of Non-conventional energy, Experimental Evaluation of Karanja-based Biodiesel as Supplementary Diesel Fuel, funded by General Motors Research Lab, USA and many more to his credit. He has an overall experience of 32 years in teaching and research on alternative fuels and its operating performances. Besides, he is also a Consultant for various Governmental and Industrial Programs. He has to his credit various publications and research papers published in National and International conferences and various journals.

Prof. Udipi Shrinivasa

Prof. Udipi Shrinivasa has done M. Tech in aeronautical engineering from IIT Madras and is a PhD in the faculty of engineering currently a Professor at the Department of Mechanical Engineering. He is currently a Professor in the Department of Mechanical Engineering. Besides, he is also the Chief Program Executive at a joint program of IISC and TCS. He is also the Chief Program Executive at Sutra (Sustainable Transformation of Rural Areas) which is a

programmable unit of the Society for Innovation and Development. He has to his credit various publications and research papers published in National and International conferences and various journals.

Dr. Sudhir Singhal

Dr. Sudhir Singhal is a graduate from the Agra University and has done B. Tech in Mechanical Engineering from IIT, Kharagpur. He was a Director in the Indian Institute of Petroleum from where he has superannuated recently. At the Indian Institute of Petroleum, he was involved in the field of energy in general and more particularly on application of fuels and lubricants to I. C. Engines and industrial machinery. He had also headed various projects including those with focus on fuels. He had been a member of various committees including the Auto Fuel Policy Committee, Apex Committee on Hazardous Wastes, Task Force on Bio fuels amongst others. He has also been a member of Indian delegations on a number of issues to countries including Brazil, USA, China, Holland and Singapore.

Dr. T. N. B. Kaimal

Dr. T. N. B. Kaimal is a M. Sc. and PhD in Applied Chemistry. He is currently a consultant to various vegetable oil and allied industries. His fields of expertise include vegetable oil processing, bio diesel, petroleum from vegetable oils, castor oil derivatives, synthetics lubricants, etc. He was formerly a Deputy Director in the Division of Lipid Science & Technology Division and Biology Division at Indian Institute of Chemical Technology (IICT). He was also the President at the Oil Technologists' Association of India, Southern Zone. During his professional career, he was primarily involved in the research and development of the chemistry, technology and biotechnology of oils, fats and derivatives and has also been instrumental in the development of various technologies to vegetable oil industries. During his tenure at IICT, he was part of the process engineering group which established two commercial plants, one for castor oil derivatives in Hyderabad and another for undecenoic acid/heptaldehyde at Ankleshwar, Gujarat. He has various over 65 research publications to his credit in both national and international journals. He has also been the recipient of the Life Time Achievement Award (JG Kane Memorial Award) from the Oil Technologists Association of India.

Brief Terms of the agreement entered into with the Technical Advisors

The Company has entered into a standard agreement with each of the Technical Advisors. Brief terms of the agreement are given below:

The technical advisor would provide their services to the Company as a Member of the Advisory Committee for the Bio Diesel project. The Company would, in turn, reimburse at actual the amount incurred by the technical advisors for the specified expenditure. Besides the reimbursement, the agreement does not provide for any other remuneration to the technical advisors. The technical advisors would also comply with the terms of the secrecy clause as specified in the agreement. In the event of any differences, the procedure for arbitration would be followed as specified in the agreement. Each of the agreements is valid for a period of 5 years commencing from April 2004.

TECHNICAL CONSULTANT FOR THE PROPOSED BIO DIESEL PROJECT

Mr. Y. B. Shankar

Mr. Y. B. Shankar has done his post graduation in Petroleum Refinery Engineering and Petrochemicals at I.P.G.G, Bucharest, Rumania and M. Tech in Chemical Engineering. He has over 30 years experience in the implementation of various projects, especially Petrochemical Plants. His experience ranges from concept to commissioning including Project Management Planning and Scheduling, Cost estimation, Debottlenecking studies, Process Development, Process Design & Engineering, Process Evaluation and Selection of Technology, Techno Economic Feasibility Studies, Detailed Project Reports, Site Evaluation and Selection studies, etc.. He also handled key projects of BPCL, Mubmai; IOCL, Baroda; IPCL Baroda, JK Synthetics, Indorama Sythetics etc. To his accreditation, he is a member of Associated Member of IICChE (Indian Institute of Chemical Engineers), Kolkatta. He has also submitted thesis research work on "Visbreaking on NHK Residuuum for production of Fuel Oil". He is presently working as Technical Consultant in the erection and commissioning of the proposed bio diesel project plant of the Company.

SHAREHOLDING OF KEY MANAGERIAL PERSONNEL

Name	Number of Shares	% of Post Issue Share Capital
Mr. B. N. Swamy	9200	0.16
Mr. G Madhusudhan R G	2000	0.04
Mr. Harsha Vardhan	2000	0.04
Mr. T. V. R. Subba Rao	4700	0.08
Mr. K. V. Butchi Babu	2700	0.05

CHANGES IN KEY MANAGERIAL PERSONNEL DURING LAST 3 YEARS

There has been no change in the key managerial personnel during the last 3 years, except as disclosed below:

Sr. No	Name	Appointed/ Resigned	Date of Change	Reason
1.	Mr. D Krishna Rao	Appointed	26.11.2004	Appointed as Company Secretary & Compliance Officer
2.	Mr. Madhusudhan R G	Appointed	01.01.2005	Appointed as GM – Finance

Notes

1. All the Key managerial personnel are permanent employees of the Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
3. There is no bonus or profit sharing plan for any of the employees of the Company.

ESOS/ESPS SCHEME TO EMPLOYEES

The Company has so far not allotted any shares to any of its employees under ESOS/ESPS scheme from the said trust or otherwise. The Company does not intend to allot any shares to its employees under ESOS/ESPS scheme from the proposed Issue.

PROMOTERS AND THEIR BACKGROUND

The Company was promoted by Mr. C M Ramesh, Mr. N Satish Kumar, Mr. K Radha Krishna, Mr. B Sreedhara Reddy and Mr. B H R Balaji. More details about the promoters are given below:



MR. C.M. RAMESH

Mr. C.M. Ramesh, aged 40 years, (Voters ID Card No. – N.A., Driving License No. 17149/HC/1990) an Arts graduate of Venkateswara University, Tirupati, hails from a business family based in Proddutur, Cuddappah District, Andhra Pradesh. After graduation in 1989, Mr. Ramesh started his career as an Excise Contractor in Cuddappah district and later expanded his area of operations to Chittoor District also. From 1994 onwards, Mr. Ramesh has been associated with various construction ventures. In 1999, Mr. Ramesh started his own venture, namely, Rithwik Projects Limited to undertake Civil Construction Projects. He was associated with the Company as Chairman & Managing Director and resigned in March 2003 due to pre occupation with his own business.



MR. N SATISH KUMAR, MANAGING DIRECTOR

Mr. N Satish Kumar, aged 35 years, (Voters ID Card No. – N.A., Driving License No. 3597/95) is a Post Graduate Diploma from the Institute of Computer Sciences, Hyderabad in 1994 and a MBA from Pune in 1996. After his post graduation he worked with several pharmaceutical Companies in the areas of marketing. He also handled software and hardware operations for Andhra Pradesh State Multichannel Electronic Services.

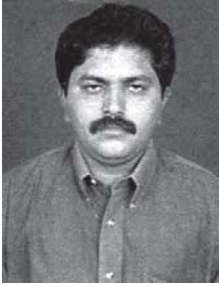
In 1998, he promoted Southern Online Services Limited with the object of providing Internet services in the state of Andhra Pradesh. He was responsible for leading the Company to emerge as one of the major private sector ISPs in the state of Andhra Pradesh. He has been holding the position of Managing Director since 2001 and is responsible for the developing new business for the Company and client delivery.

He has also been spearheading the Company's efforts to engage in the business of bio diesel. At present, he is actively involved in promoting the Bio-fuels production in India along with SuTra (a division of Indian Institute of Sciences, Bangalore), Indian Institute of Technology, New Delhi, Ministry of Rural Development, Govt. of India, Indian Oil Corporation, Faridabad, Indian Institute of Petroleum, and the Department of Environment and Forest, Govt. of Andhra Pradesh. In this direction, he is preparing to set up India's first commercial Bio-diesel production unit at Hyderabad in the state of Andhra Pradesh, India.



MR. K. RADHA KRISHNA, DIRECTOR - FINANCE

Mr. K. Radha Krishna, aged 36 years, (Voters ID Card No. – N.A., Driving License No. 121611/HE/89) is a Graduate in Civil Engineering from Nagarjuna University, Guntur. After his graduation he was involved in several construction projects including for Hindustan Cables Ltd., Larsen & Toubro and Telecom department. He has experience of more than 8 years of experience in the fields of Civil Construction and 6 years in Information Technology and Finance. He presently looks after Finance function of the Company and is also assisting Mr. N Satish Kumar in setting up Bio diesel unit in Hyderabad.



MR. B. SREEDHARA REDDY, DIRECTOR

Mr. B. Sreedhara Reddy, aged 35 years, (Voters ID Card No. – N.A., Driving License No. 994/92) is a Graduate in Civil Engineering from Nagarjuna University, Guntur. After his graduation he was involved in several construction projects. He has experience of more than 8 years of experience in the fields of Civil Construction and 6 years in Information Technology. He is presently handling administration and related activities of the Company.



MR. B. H. R. BALAJI, DIRECTOR

Mr. B. H. R. Balaji, aged 33 years, (Voters ID Card No. – N.A., Driving License No. 10708/1993) is a Graduate in Electronics Engineering from Magadh University, Bodhgaya. He has 7 years experience in the fields of Internet based application developments. He promoted SBT in 1998 and was made a Director-Technical and is presently Executive director. He is handling technical aspects of ISP business comprising Bandwidth management, Router maintenance etc.

We confirm that the PAN, Bank Account details and Passport Number of the Promoters has been submitted to the Stock Exchanges on which shares are proposed to be listed, at the time of filing the Offer document with them.

RELATED PARTY TRANSACTIONS

The details of related party transactions are mentioned in the Auditor’s report on page no. 73 of this Offer Document.

CURRENCY OF PRESENTATION

In this Offer document, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “Crore” means “ten million”. In this Offer document, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Offer document, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Offer document are to the legal currency of India.

DIVIDEND POLICY

The Company has not paid any Dividend since inception.

Dividends, if any, will be declared at the Annual General Meeting of the Shareholders based on a recommendation by the Board of Directors. The Board of Directors may recommend dividend, at its discretion, to be paid to our members. Generally, the factors that may be considered by the Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.

FINANCIAL INFORMATION OF THE COMPANY

Auditors Report

The Board of Directors

Southern Online Bio Technologies Limited,

3A, 3rd Floor, Samrat Complex, Office Block,

Saifabad, Hyderabad – 500 004.

We have examined and found correct the Audited Accounts of M/s Southern Online Bio Technologies Limited for the past five financial years ended on 31st March 2001, 2002, 2003, 2004 and 2005 being the last date up to which the accounts of the Company have been made up and audited by us. we are not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. The restated profits of the Company for the financial years ended 31st March 2001, 2002, 2003, 2004 and 2005 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Account appearing in Annexure III and IV respectively to this report.
- b. The restated assets and liabilities of the Company as at 31st March 2001, 2002, 2003, 2004 and 2005 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- c. We have examined the cash flow statement relating to the Company for the year ended 31st March 2004 & 2005 appearing in Annexure V to this report.
- d. The company has not paid any dividend during the last five financial years commencing from the year ended 31st March 2001.
- e. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
 1. Performance Ratios as appearing in Annexure VI to this report.
 2. Capitalization Statement as at 31st March 2005 as appearing in Annexure VII to this report
 3. Statement of tax shelters as appearing in Annexure VIII to this report
 4. Details of other income as appearing in Annexure IX to this report
 5. Details of sundry debtors as appearing in Annexure X to this report
 6. Details of loans and advances made to persons or companies in whom / in which directors are interested as appearing in Annexure XI to this report
 7. Details of unsecured loans as appearing in Annexure XII to this report
 8. Details of secured loans as appearing in Annexure XIII to this report.
 9. Details of transactions with related parties as appearing in Annexure XIV to this report.
 10. Details of changes in Significant Accounting Policies as given in Annexure XV to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in Annexure III & IV respectively to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For P.MURALI & Co
Chartered Accountants

M. V. JOSHI

Partner

Membership No.24784

Date: 1st July 2005

Place: Hyderabad

Annexure – I: Statement of Profit and Loss Account

Rs. in Lacs

Particulars	For the financial year ended March 31				
	2001	2002	2003	2004	2005
Income					
Internet and related services	323.74	306.47	306.57	309.94	400.19
Other income	8.39	2.57	0.53	0.50	0.19
Total	332.13	309.04	307.10	310.44	400.38
Expenditure					
Operating Expenses	44.67	65.12	80.20	108.00	180.01
Personnel cost	48.07	48.76	33.32	37.93	40.86
Administrative & marketing expenses	96.00	97.56	96.46	66.81	63.78
Financial expenses	13.72	15.59	17.05	16.10	10.59
Depreciation	58.93	75.45	75.49	76.57	80.17
Total	261.39	302.48	302.52	305.41	375.41
Profit Before Taxation	70.74	6.56	4.58	5.03	24.97
Less: Taxation – current	6.50	0.60	0.35	0.38	1.70
– deferred Income Tax Provision	-	-	-	14.10	19.66
— Transitional Cumulative Provision				(75.33)	-
Profit After Taxation Provision and Deferred Income Tax	64.24	5.96	4.23	(56.58)	42.93
Less: Prior period items	-	-	-	-	2.19
Profit after Tax & after adjusting Prior Period items	64.24	5.96	4.23	(56.58)	40.74

There have been no exceptional items of income or expenditure during the aforesaid periods

Rs. in Lacs

Particulars	For the financial year ended March 31				
	2001	2002	2003	2004	2005
Profit after Tax & after adjusting Prior Period items	64.24	5.96	4.23	(56.58)	40.74
Adjustment for :					
Prior-period items adjusted (specify) Gratuity	0.49	0.41	0.34	0.33	0.17
Total of Adjustments	0.49	0.41	0.34	0.33	0.17
Tax impact of adjustments	0.04	0.05	0.02	0.02	0.01
Total of Adjustments after tax impact	0.53	0.46	0.36	0.35	0.18
Profit/ Loss as restated	63.71	5.50	3.87	(56.93)	40.56

Annexure – II

Statement of Assets and Liabilities

Rs In Lacs

Particulars	As at March 31,				
	2001	2002	2003	2004	2005
Sources of funds					
Fixed Assets:					
Gross Block	481.70	479.16	480.49	477.68	578.52
Less: Depreciation	79.40	153.50	228.14	295.18	375.31
Net Block (A)	402.30	325.66	252.35	182.50	203.21
Current Assets, Loans & Advances					
Inventories	3.00	2.52	1.85	0.92	-
Sundry Debtors	194.59	343.14	442.93	536.27	501.50
Cash & Bank Balances	51.22	16.15	4.10	1.58	20.05
Loans & Advances	55.89	46.33	47.37	46.91	197.03
Total (B)	304.70	408.14	496.25	585.68	718.58
Investments (C)	-	-	-	-	34.31
Current Liabilities & Provisions					
Secured loans	71.44	102.58	91.92	76.12	46.96
Unsecured loans	20.27	8.40	12.79	13.21	8.79
Current Liabilities , Provision & Deferred Income Tax Liability	27.82	24.06	31.07	112.77	104.19
Total (D)	119.53	135.04	135.78	202.10	159.94
NET Worth (A+B+C-D)	587.47	598.76	612.82	566.08	796.16
Share capital	536.03	536.03	536.03	536.03	570.34
Share Application Money	-	-	-	-	200.57
Reserves & surplus	104.96	110.93	115.15	58.57	99.29
Less: Preliminary expenditure to the extent not written off or adjusted	53.52	48.20	38.36	28.52	74.04
NET WORTH	587.47	598.76	612.82	566.08	796.16

Annexure - III

Significant Accounting Policies:

1. Basis of Preparation of Financial Statements:

- A. Financial Statements have been prepared under the historical cost convention and in accordance with generally accepted Accounting Principles and Provisions of the Companies Act, 1956 as applicable to the Company.
- B. Accounting Policies not specially referred to otherwise are consistent and consonance with generally accepted Accounting Principles followed by the Company.

2. Revenue Recognition:

- a) Dial Up Services: Internet Access is provided to the customers for a specified Number of Hours either based upon the advances received or, billed to the customers, which is to be utilized within a specified period. The Company recognizes revenue based on the bills raised on customer at the time of facilitating the Internet access.
- b) Leased Line Services: Leased Line Services are provided to the customers for a specified period of time. The Company recognizes revenue in the year of raising the Invoices on the customers.
- c) Web hosting and Co-location Services: These services are provided to the customers for a specified period of time. The company recognizes revenue in the year of raising invoices on the customers.
- d) FTP Services: These services are provided to the customers for a specified period of time. The Company recognizes revenue in the year of raising invoices on the customers.

3. Fixed Assets:

Fixed assets are stated at the cost of acquisition less accumulated depreciation, direct costs are capitalized until the assets are ready to put to use. These costs include installation cost, duties, taxes and other allocated expenses including finance cost relating to specified borrowing incurred during the construction period.

4. Depreciation:

Depreciation on Fixed Assets has been provided on Straight Line Method as per the rates mentioned in Schedule XIV of the Companies Act, 1956.

5. Taxation:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

6. Earning Per Share:

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

7. Gratuity :

Gratuity is accounted on accrual basis.

8. Miscellaneous Expenditure:

- a) Preliminary Expenses: Expenditure (to the extent not written off or adjusted) incurred in connection with formation of the Company has been amortized over a period of 5 years.
- b) Public Issue Expenses: Expenditure incurred in connection with the Public Issue has been amortized over a period of 5 years.
- c) Deferred Revenue Expenses: Processing Fee incurred in connection with obtaining Gateway facilities has been amortized over a period of 10 years.
- d) Technical - Know – How: Expenditure incurred in connection with Technical know-how has been amortized over a period of 10 years.
- e) Software Expenditure: Expenditure incurred in connection with RBS billing software and data entry software has been amortized over a period of 10 years.

ANNEXURE - IV

Notes On Account:

1. Managerial Remuneration:

A. Managerial Remuneration paid to Directors:

Rs. in Lacs

S.No	Name of Director	Designation	2004-2005	2003-2004	2002-2003
1	N. Satish Kumar	Managing Director	4.00	3.36	2.55
2	B.H.R.Balaji	Executive Director	4.00	3.36	2.55
3	K.Radha Krishna	Director-Finance	4.00	3.36	2.55
4	B.Sreedhara Reddy	Director-Admn	4.00	3.36	2.55

B. No computation of Profit U/S. 350 of the Companies Act, 1956 has been given since no commission was paid to Directors.

2. Auditors Remuneration:

Rs.in Lacs

Particulars	2004-2005	2003-2004	2002-2003
For Statutory Audit	0.20	0.20	0.20
For Tax Audit	0.16	0.16	0.16
For Other Services	0.04	0.04	0.04
Total	0.40	0.40	0.40

3. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has provided during the year towards the Transitional Cumulative Provision for deferred tax Liability amounting to Rs.75,33,170/- as the same had not been provided earlier year. The deferred tax Assets provision for the period ended 31-03-2004 amounts to Rs.14,10,756/- towards deferred tax Asset and for the period ended 31.03.2005 is amount Rs.19,65,643/- has been provided towards Deferred Income Tax Assets. The entire deferred tax asset is attributable to the timing difference between book depreciation and tax depreciation.

4. During the period ended 31-03-2005, the company has not raised any funds by way of public Issue of shares. However, there has been an allotment of 3,43,097 Shares towards preferential issue to the following individuals.

Sl. No.	Name	No. of Shares
A	N. SATISH KUMAR	71,745
B	V. DURGA PARSAD	193,352
C	J. VENKATAPPIAH	15,000
D	M. SURENDRA	60,000
E	K. NAVIN KUMAR	3,000
	TOTAL	343,097

5. Sundry debtors/creditors and Loans and Advances balances are subject to confirmation and consequent reconciliation, if any.

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

7. Gratuity :

The company has made provision towards the gratuity to its employees on accrual basis in the profit and loss Account for the period ended on 31-03-2005 and for the earlier period the difference has also been provided in Prior Period Adjustments. The details for the Gratuity for the earlier years has been mentioned in the respective years which has been provided in the period ended 31-03-2005 has been included in the previous years

8. Contingent Liabilities not provided for:

Rs. in Lacs

Particulars	As on		
	31.03.2005	31.03.2004	31.03.2003
Counter Guarantee given to Bankers in respect of guarantees issued by the Bankers in favour of the President of India, acting through the Telegraph Authority.	10.00	20.00	20.00

9. Preliminary Expenses includes Public Issue Expenses, Technical know how and Billing Software Expenditure.
10. Balances appearing under different accounts of Debtors, Creditors, Loans and Advances are subject to confirmation from the parties.
11. The Company is engaged in the Business of providing Internet service and other related services. The rendering of such services is not capable of being expressed in any generic unit and hence it is not possible to give the quantitative details of sales and information as required under paragraphs 3, 4C and 4 D of Part II of Schedule VI to the Companies Act, 1956.
12. Since the Company operates only in supply of internet services and related activities, there is only one business segment and hence no separate disclosure required. Since the Company does not have any exports, the disclosure requirements for geographical segments are not applicable.

13. Related Party Transactions:

a) Disclosure of Related Party :

(i) List of Related Parties

Sr. No.	Name of the Related Party	Relationship
	Key Managerial Personnel	
1	N Satish Kumar	Managing Director
2	B.H.R.Balaji	Executive Director
3	K.Radha Krishna	Director – Finance
4	B.Sreedhara Reddy	Director – Administration
5	C M Ramesh	Director*
6	K. Tejesh Kumar	Director – International Affairs
7	K.Venkateshwara Rao	Director - International Affairs
8	Y. Anand Swaroop	Director
9	Emmanuel H. D'Silva	Director
10	B. Suresh	Director
11	G. Govardhan Naidu	Director
12	T.Rohini Reddy	Director
13	V.Durga Prasad	Director
	Subsidiary company	
1	Southern Biofe Biofuels Pvt. Ltd.	100% Subsidiary Company
	Associate concerns	
1	Rithwik Projects Ltd.**	Director interested
2	Rithwik Power Projects Ltd.**	Director interested

*: Resigned on March 17, 2003.

** : The associate concerns cease to be related parties on March 17, 2003, under Accounting Standard 18 on 'Related Parties' on resignation of the interested director, Mr. C. M. Ramesh from the Company. There have been no transactions between the company and the Associate concerns since inception.

b) Transactions with Related Parties:

Rs.in Lacs

Name of related party	Nature of Transaction	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
N Satish Kumar	Remuneration	3.51	4.00	2.55	3.36	4.00
K.Radha Krishna	Remuneration	3.51	4.00	2.55	3.36	4.00
B.Sreedhara Reddy	Remuneration	3.51	4.00	2.55	3.36	4.00
B.H.R.Balaji	Remuneration	3.51	4.00	2.55	3.36	4.00
C M Ramesh	Remuneration	6.00	6.00	6.00	-	-
Y. Anand Swaroop	Sitting Fee	-	-	0.06	0.07	0.05
B. Suresh	Sitting Fee	-	-	0.04	0.07	0.05
K. Tejesh Kumar	Sitting Fee	-	-	0.03	0.01	0.02
K. Venkateshwara Rao.	Sitting Fee	-	-	-	-	0.02
Emmanuel H.D'Silva	Sitting Fee	-	-	-	-	0.04
T. Rohini Reddy	Sitting Fee	-	-	-	-	0.03
V. Durga Prasad	Sitting Fee	-	-	-	-	0.03
Govardhan Naidu	Sitting Fee	-	-	-	-	0.02
Southern Biofe Biofuels Pvt. Ltd.	Investment in share capital	-	-	-	-	34.31
N. SATISH KUMAR	Un Secured Loan	-	-	7.05	7.55	6.00

14. Earnings per share

Particulars	As on		
	31.03.2005	31.03.2004	31.03.2003
Profit after tax (Rs. In Lacs)	40.74	(56.58)	4.23
Number of equity shares outstanding during the period	5,703,397	5,360,300	5,360,300
Nominal value of Equity shares (Rs.)	10.00	10.00	10.00
Earnings per share (Rs.)	0.71	(1.06)	0.08

15. Previous years figures have been regrouped wherever necessary.

16. The figures have been rounded off to the nearest rupee.

Annexure – V: Cash Flow Statement

Rs. in Lacs

PARTICULARS	Year Ended March 31, 2005	Year Ended March 31, 2004
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit /(Loss) before tax & extraordinary items	23.16	5.03
Adjustments for:		
Depreciation	80.17	76.57
Miscellaneous expenditure written off	9.39	9.84
Interest	10.59	16.10
Loss on Sale of assets	-	8.32
Operating Profit before working capital charges	123.32	115.86
Trade and other receivables	(115.33)	(96.01)
Inventories	0.92	0.93
Trade payables	(8.43)	15.69
Cash generated from operations	0.47	36.47
Interest paid	(10.59)	(14.04)
Cash flow before extraordinary items	(10.12)	22.43
NET CASH FLOW FROM OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES:		
Expenditure for Miscellaneous Expenses	(54.51)	-
INVESTMENT DURING THE PERIOD	(34.31)	-
Purchase of Fixed Assets	(100.85)	(11.92)
NET CASH USED IN INVESTING ACTIVITIES	(189.67)	(11.92)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share Application Money	234.87	-
Creditors for capital goods	16.97	2.78
Unsecured loan	(4.43)	-
Paid towards Secured Loan	(29.16)	(15.80)
NET CASH USED IN FINANCING ACTIVITIES	218.25	(13.02)
Net decrease in cash and cash equivalents	18.46	2.51
Cash and Cash equivalents as at March 31, 2004	1.59	4.10
Cash and Cash equivalents as at March 31, 2005	20.05	1.59
Net decrease in cash and cash equivalents	18.46	2.51

ANNEXURE – VI**Performance Ratios:**

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Earnings per share (Rs.)	1.2	0.11	0.08	(1.06)	0.71
Return On Net Worth (%)	10.94%	0.10%	0.69%	0.82%	5.39%
Net Asset Value/Book value per share (Rs.)	10.96	11.17	11.43	10.56	13.97

1. Earnings per share (Rs.) = Profit available to equity shareholders/No. of equity shares
2. Return on Net worth (%) = Profit after taxation/Net worth * 100
3. Net asset value/Book value per share (Rs.) = Net worth /No. of equity shares

ANNEXURE - VII**Capitalization Statement:**

Rs. in Lacs

Particulars	Pre Issue		Post issue
	As at March 31, 2004	As at March 31, 2005	
TOTAL DEBT:			
Short Term Debt	-	-	-
Long Term Debt	76.12	46.96	69.37
Total debt	76.12	46.96	69.37
Shareholders Funds:			
Share Capital	536.03	570.34	2280.34
Reserves & surplus	58.57	101.48	83.01
Total Shareholders Funds	594.60	671.82	2363.35
Long Term Debt/ Shareholders funds	0.13	0.07	0.03

Annexure – VIII

Statement of Tax Shelters

Rs in Lacs

	Year Ended				
	31.03.01	31.03.02	31.03.03	31.03.04	31.03.05
A Profit Before Current And Deferred Tax as Restated	70.74	6.56	4.58	5.03	24.97
Tax as Restated Tax Rate % (Normal Rates)	35	35	35	35	35
Surcharge	4.55	0.7	0.7	0.875	0.875
Cess	-	-	-	-	2
Tax Impact	-	-	-	-	0.11
B Permanent Differences					
Adjustments	-	-	-	-	-
Total – B	-	-	-	-	-
C Temporary Differences					
Differences between Book Depreciation and Tax Depreciation	(193.07)	(49.66)	(32.4)	(48.85)	(53.74)
U/s. 43 B of the Income Tax Act.	1.28	-	1.13	-	-
Other Adjustments	-	-	-	-	-
Total – C	(191.79)	(49.66)	(31.27)	(48.85)	(53.74)
NET ADJUSTMENTS (B+C)	(121.05)	(43.10)	(26.69)	(43.82)	(28.76)
Tax Savings Thereon	-	-	-	-	-
Net Tax Payable income as per Income Tax Act at Normal Rates	(47.88)	(15.38)	(9.52)	(15.72)	(10.66)

Annexure - IX

Details of Other income:

Rs. in Lacs

Particulars	Year Ended				
	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Interest on Fixed Deposit	8.39	0.46	0.44	0.44	-
Rebate on Elect charges	-	1.43	-	-	-
Miscellaneous Charges	-	0.68	0.09	0.06	0.19
Total	8.39	2.57	0.53	0.50	0.19

Annexure - X**Sundry Debtors:**

Rs. in Lacs

Particulars	As at				
	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Debtors outstanding for a period exceeding six months	147.76	265.15	360.91	463.10	426.97
Others	46.83	77.99	84.02	73.17	74.53
TOTAL	194.59	343.14	444.93	536.27	501.50

Annexure – XI**Loans & Advances:**

There are no loans to Companies in which Directors are interested.

ANNEXURE - XII**Unsecured Loans:**

Rs. in Lacs

Particulars	As at				
	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Deposit from Dealers	5.10	8.40	5.74	5.66	2.79
Payable to Promoters *	-	-	7.05	7.55	6.00
Payable to Bank	15.17	-	-	-	-
Total	20.27	8.40	12.79	13.21	8.79

*: Unsecured loans from promoters are interest free loans and repayable on demand.

ANNEXURE – XIII**Secured Loans:**

Rs. in Lacs

Particulars	As at				
	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Term loan	71.44	70.34	56.26	52.44	45.95
Bank overdraft	-	32.24	35.66	23.68	1.01
Total	71.44	102.58	91.92	76.12	46.96

Principal Terms of Sanctioned Loans and Assets Charged as Security

Rs. in Lacs

Sr. No.	Lender & Type of Facility / Sanction letter no. and date	Amount sanctioned/ Rate of Interest	Amt. Availed	Amt. outstanding as on 31.03.2005	Security
1	Term loan:Bank of India, Banjara Hills Branch, Hyderabad BNJH:RVLN : 2004-05 Dated 28.09.2004.	50.00 11.75%	48.12	45.95	Hypothecation of EDP equipments, movable and immovable assets of the Company and Directors and their Relatives' personal guarantees
2	Cash Credit :Bank of India, Banjara Hills Branch, Hyderabad BNJH:RVLN: 2004-05 Dated 28.09.2004.	35.00 14%	28.06	1.01	Against book debts and Directors and their Relatives' personal guarantees
3	Bank Guarantee * Bank of India, Banjara Hills Branch, Hyderabad BNJH:RVLN: 2004-05 Dated 28.09.2004.	10.00	10.00	10.00	Fixed Deposits with Bank

*: The Bank Guarantee has been given in the favour of the President of India, acting through Telegraph Authority as part of the ISP license issued by the DoT, Ministry of Communications and Information Technology, Government of India. The bank guarantee is valid upto September 28, 2007.

ANNEXURE – XIV

Related Party Transactions:

(I) List of Related Parties

Sr. No.	Name of the Related Party	Relationship
	Key Managerial Personnel	
1	N Satish Kumar	Managing Director
2	B.H.R.Balaji	Executive Director
3	K.Radha Krishna	Director – Finance
4	B.Sreedhara Reddy	Director – Administration
5	C M Ramesh	Director*
6	K. Tejesh Kumar	Director – International Affairs
7	K.Venkateshwara Rao	Director - International Affairs
8	Y. Anand Swaroop	Director
9	Emmanuel H. D'Silva	Director
10	B. Suresh	Director
11	G. Govardhan Naidu	Director
12	T.Rohini Reddy	Director
13	V.Durga Prasad	Director
	Subsidiary company	
1	Southern Biofe Biofuels Pvt. Ltd.	100% Subsidiary Company
	Associate concerns	
1	Rithwik Projects Ltd.**	Director interested
2	Rithwik Power Projects Ltd.**	Director interested

*: Resigned on March 17, 2003.

**: The associate concerns cease to be related parties on March 17, 2003, under Accounting Standard 18 on 'Related Parties' on resignation of the interested director, Mr. C. M. Ramesh from the Company.

Rs.in Lacs

Name of related party	Nature of Transaction	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
N Satish Kumar	Remuneration	3.51	4.00	2.55	3.36	4.00
K.Radha Krishna	Remuneration	3.51	4.00	2.55	3.36	4.00
B.Sreedhara Reddy	Remuneration	3.51	4.00	2.55	3.36	4.00
B.H.R.Balaji	Remuneration	3.51	4.00	2.55	3.36	4.00
C M Ramesh	Remuneration	6.00	6.00	6.00	-	-
Y. Anand Swaroop	Sitting Fee	-	-	0.06	0.07	0.05
B. Suresh	Sitting Fee	-	-	0.04	0.07	0.05
K. Tejesh Kumar	Sitting Fee	-	-	0.03	0.01	0.00
K. Venkateshwara Rao.	Sitting Fee	-	-	-	-	0.00
Emmanuel H.D'Silva	Sitting Fee	0.04				
T. Rohini Reddy	Sitting Fee	0.03				
V. Durga Prasad	Sitting Fee	-	-	-	-	0.02
G. Govardhan Naidu	Sitting Fee	0.02				
Southern Biofe Biofuels Pvt. Ltd.	Investment in share capital	-	-	-	-	34.31
N. SATISH KUMAR	Un Secured Loan	—	—	7.05	7.55	6.00

ANNEXURE - XV**Changes in the Significant Accounting Policies:**

There are no changes in accounting policies during last Five Years except –

- (i) Gratuity has been provided in the accounts for the period ended 31-12-2004 for the earlier period and adjusted during the current year .
- (ii) In Accordance with the Accounting Standard 22 (AS 22) issued by the ICAI the company has provided during the year towards Transitional Cumulative Provision for Deferred Income Tax Liability amounting to Rs. 75,33,170/- as the same had not been provided in the earlier year . The Deferred Tax Assets Provision for the financial period ended 31-03-2004 amounting to Rs. 14,10,756/- towards deferred Tax Assets and for the period ended 31.03.2005 the Deferred Tax Asset Provision of Rs.19,65,643/- has been provided.

For P.MURALI & Co
Chartered Accountants

M. V. JOSHI
Partner
Membership No.24784

Date: 1st July 2005
Place: Hyderabad

CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP

The Board of Directors,
Southern Online Bio Technologies Limited,
3A, 3rd Floor, Samrat Complex, Saifabad,
HYDERABAD- 500 004.

Dear Sir,

We have audited the attached Consolidated Balance Sheet of Southern Online Bio Technologies Limited ('SBT' or ' the Company ' or " the Parent Company") and its subsidiary (Southern Biofe Bio Fuels Pvt. Ltd) collectively referred to as the "SBTGROUP " or " the Group ") as at 31st March 2005 , the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the period ended 31st March 2005. Since Southern Biofe Bio Fuels Pvt Ltd, became subsidiary of Southern Online Bio Technologies Ltd , w.e.f 1.4.2004 , the consolidation is done only for the year ended 31st March 2005. The audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.

The 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 generally accepted auditing standards 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21- " Consolidated Financial Statements " issued by the Institute of Chartered Accountants of India (ICAI).

In our opinion and on the basis of information and explanation given to us, the consolidated financial statements read together with the Significant Accounting Policies and Notes to the Consolidated Summary Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Southern Online Bio Technologies Limited Group as at March 31st 2005.
- ii) in the case of the Consolidated Profit and Loss Account of the profit for the period ended March 31st 2005.
- iii) Since the Subsidiary Company is not yet operated , Profit and Loss Account for the prepared

For P.MURALI & Co
Chartered Accountants

M. V. JOSHI
Partner
Membership No.24784

Date: 1st July 2005
Place: Hyderabad

Southern Online Bio Technologies Limited

Annexure I - Consolidated Balance Sheet.

Rs. in Lacs

Particulars	As at March 31, 2005
Sources of funds	
Fixed Assets:	
Gross Block	580.31
Less: Depreciation	375.31
Add: Pre Operative Expenses	46.08
Net Block (A)	251.08
Current Assets, Loans & Advances	
Inventories	
Sundry Debtors	501.50
Cash & Bank Balances	20.05
Loans & Advances	198.30
Total (B)	719.85
Investments (C)	34.31
Current Liabilities & Provisions	
Secured loans	46.96
Unsecured loans	23.15
Current Liabilities , Provision & Deferred Income Tax Liability	104.44
Total (D)	174.56
NET Worth (A+B+C-D)	830.68
Share capital	604.65
Share Application	200.57
Reserves & surplus	99.46
Less: Preliminary expenditure to the extent not written off or adjusted	74.00
NET WORTH	830.68

Southern Online Bio Technologies Limited

Annexure II - Consolidated Profit and Loss Account.

Rs. in Lacs

Particulars	For the period ended March 31, 2005
Income	
Internet and related services	400.19
Other income	0.19
Total	400.38
Expenditure	
Operating Expenses	180.01
Personnel cost	40.86
Administrative & marketing expenses	63.78
Financial expenses	10.59
Depreciation	80.17
Total	375.41
Profit Before Taxation	24.97
Less: Taxation – current	1.70
– deferred Income Tax Provision	19.66
Profit after Taxation	42.93
Less: Prior period Expenses	2.19
Profit after Tax and after adjusting prior period items	40.74

ANNEXURE IV - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED SUMMARY STATEMENTS

1. The consolidated financial statements relate to Southern Online Bio Technologies Limited (“ the Company”) has prepared the Consolidated Financial Statements, by consolidating its accounts with that of its wholly owned subsidiary Southern Biofe Biofuels Pvt. Ltd in accordance with the Statements of Accounting standards on “ Consolidated Financial Statements (AS 21) issued by the Institute of Chartered Accountants of India (ICAI) The Consolidated Financial Statements have been prepared under the historical cost convention, on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by the ICAI. The consolidated financial statements have been prepared on the following basis:
 - a. The financial statements of the Company and it subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 --”Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.
 - b. There is no difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries
 - c. Minority interest’s share is not there as the company is holding 100 % Equity Shares
2. Uniform Accounting Policies :

Southern Online Bio Technologies Limited and its subsidiary , in preparing their standalone annual financial statements have adopted uniform accounting policies. The Consolidated Statement of Assets and Liabilities, & Profit and Losses (Annexure I & II) have been prepared using the same accounting policies, as referred to in the stand alone “ Notes on Accounts “ of Southern Online Bio Technologies Limited and Southern Biofe Biofuels Pvt. Ltd.

For P.MURALI & Co
Chartered Accountants

M. V. JOSHI
Partner
Membership No.24784

Date: 1st July 2005
Place: Hyderabad

FINANCIAL INFORMATION OF GROUP COMPANIES

SUBSIDIARY COMPANY:

SOUTHERN BIOFE BIO FUELS PRIVATE LIMITED (Southern Biofe)

Brief Details:

Southern Biofe Bio Fuels Pvt. Ltd. was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 01 - 38919 of 2002-2003 dated May 8, 2002 having its registered office at 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad – 500 004. Southern Biofe is incorporated with the main objects of engaging in the production, manufacture and trading of bio fuel and bio energy and related products.

SBT vide Agreement for sale dated February 13, 2004, acquired the entire share capital of Southern Biofe i.e. 343,097 equity shares of Rs. 10 each from Mr. V. Durga Prasad and his associates as listed below:

S. No.	Name of the Shareholder	No. of Shares
1	Mr. V. Durga Prasad	1,93,352
2	Mr. N Satish Kumar	71,745
3	Mr. J Venkatappaiah	15,000
4	Mr. M Surendra	60,000
5	Mr. K Naveen Kumar	3,000
	Total	3,43,097

SBT has issued 343,097 equity shares (i.e. in the ratio of 1 share of SBT for every 1 share held in Southern Biofe Fuels Pvt. Ltd.) as consideration for the acquisition. Consequent to the acquisition, Southern Biofe Bio Fuels Private Limited has become a 100% subsidiary of SBT.

Board of Directors:

Name of Director	Designation
Mr. N. Satish Kumar	Director
Mr. B.Sreedhara Reddy	Director
Mr. K.Radha Krishna	Director
Mr. B.H.R.Balaji	Director

Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31	
	2003	2004
Total Income	-*	-*
Profit after taxation	-*	-*
Equity Share Capital	3.00	34.30
Reserves (excluding revaluation reserves)	-	-
Share Application Money	31.31	-
Net worth	33.95	33.95
NAV per Share (Rs.)	113.18	9.90
EPS per Share (Rs.)	-*	-*

*: The Company has not yet commenced commercial operations, hence expenditure incurred has been capitalized as pre-operative expenses. Consequently, the income, PAT and EPS are Nil.

Southern Biofe has not availed any loans from any Banks or Institutions.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

OTHER GROUP COMPANIES/VENTURES OF PROMOTERS:**RITHWIK PROJECTS LIMITED (Rithwik)**

The Company was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 01 - 31431 of 98-99 dated March 31, 1999 having its registered office at Plot No. 91/B, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. The Company was incorporated with the main objects of undertaking execution of Civil Contract Works / Projects of Central, State Governments and execution of own Constructions projects.

Shareholding Pattern:

Name of Shareholder	No. of Shares	% Shareholding
Mr. C M Ramesh & Family	4,369,046	37.03
Friends and Relatives	7,430,954	62.97
Total	11,800,000	100.00

Board of Directors:

Name of Director	Designation
Mr. C M Ramesh	Chairman & Managing Director
Mr. C M Prakash	Director
Mr. C M Rajesh	Director
Mr. Kuljit Singh Narula	Director (Technical)

Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31 st		
	2002	2003	2004
Total Income	4,816.97	6,474.82	10,354.93
Profit after taxation	265.28	353.92	497.69
Equity Share Capital	1,000.00	1,000.00	1,180.00
Reserves (excluding revaluation reserves)	457.30	811.22	1,608.47
Share Application Money	563.00	700.00	261.90
Net worth	2,018.82	2,508.67	3,047.59
NAV per Share (Rs.)	20.19	25.09	25.83
EPS per Share (Rs.)	2.65	3.54	4.22

Rithwik has availed the following facilities as under:

Rs. in Lacs

Name of Bank/ Institution	Nature Of Loan	Outstanding as on September 30, 2004
Srei International Finance Ltd./Principal contractors	Term Loan	2,426.49
Various Banks	Vehicle Loan	63.31
UTI Bank Andhra Bank / IOB / SBI	Cash Credit	1,122.77
Bank of India	Others	90.01
Total		3,702.58

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

RITHWIK POWER PROJECTS LIMITED (Rithwik Power)

The Company was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 01 - 30769 dated December 24, 1998 having its registered office at Plot No. 1295, Road No. 63, Jubilee Hills, Hyderabad – 500 034. The Company was incorporated with the main objects of Generation and Distribution of Power.

Shareholding Pattern:

Name of Shareholder	No. of Shares	% Shareholding
Mr. C M Ramesh and Family	3936600	49.21
Friends and Relatives	471600	5.89
Vensar Projects Ltd.	3419300	42.74
Vensar Cold Storage (P) Ltd.	32500	0.41
Lanco Constructions	100000	1.25
Vensar Softech Ltd.	40000	0.50
Total	8000000	100.00

Board of Directors:

Name of Director	Designation
Mr. C M Ramesh	Chairman & Managing Director
Mr. C M Rajesh	Director
Mr. U V Ramana	Director

Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31 st		
	2002	2003	2004
Total Income	NA*	338.28	1,548.54
Profit after taxation	NA*	32.15	106.81
Equity Share Capital	620.00	620.00	620.00
Reserves (excluding revaluation reserves)	-	32.15	138..96
Less: Misc. Expenses not w/off	179.54	25.74	19.31
Share Application Money	0.57	241.26	190.21
Net worth	441.03	867.67	929.86
NAV per Share (Rs.)	7.11	13.99	14.98
EPS per Share (Rs.)	NA*	0.52	1.72

* Details are Not Applicable as the Commercial operations of the Company started in December 2002

Rithwik Power has availed the Loans facilities from:

Rs. in Lacs

Name of Bank/ Institution	Nature Of Loan	Outstanding as on Mar 31, 2005
Union Bank of India	Cash Credit	245.58
Union Bank of India	Term Loan	1604.70

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

U.S.P. TECHNOLOGIES PVT. LTD.

The Company was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 01-30734 of 1998-99 dated December 21, 1998 having its registered office at 503, Sri Krishnasai Apartments, Yousufguda Checkpost, Hyderabad – 500 004. The Company was incorporated with the main objects of undertaking the business of software development and trading of computer software.

Shareholding Pattern:

Name of Shareholder	No. of Shares	% Shareholding
Mr. C. M. Ramesh	100	0.97
Mr. N Satish Kumar	100	0.97
Mr. B Sreedhara Reddy	100	0.97
Friends & Relatives	10,000	97.09
Total	10,300	100.00

Board of Directors:

Name of Director	Designation
Mr. B. N. Swamy	Director
Mr. A. V. Anil	Director
Mr. K. V. Butchi Babu	Director

Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31		
	2002	2003	2004
Total Income	-*	-*	
Profit after taxation	-*	-*	
Equity Share Capital	0.05	0.05	0.05
Reserves (excluding revaluation reserves)	-	-	
Share Application Money	0.80	0.82	
Net worth	-	(0.02)	
NAV per Share (Rs.)	-	-ve	
EPS per Share (Rs.)	-*	-*	

*: The Company has not yet commenced commercial operations, hence expenditure incurred has been capitalized as pre-operative expenses. Consequently, the income, PAT and EPS are Nil.

The Company has not availed any loans from any Banks or Institutions.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

RITHWIK AGRI FARMS PVT. LTD.

The Company was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 01-22209 of 1995-96 dated November 9, 1995 having its registered office at Plot No. 1295, Road No. 63, Jubilee Hills, Hyderabad – 500 034. The Company was incorporated with the main objects of carrying on the activities of farming, horticulture, floriculture, sericulture and agriculture including the cultivation of commercial crops etc.

Shareholding Pattern:

Name of Shareholder	No. of Shares	% Shareholding
Mr. C M Ramesh & Family	300	60.00
Friends and Relatives	200	40.00
Total	500	100.00

Board of Directors:

Name of Director	Designation
Mr. C M Ramesh	Director
Mr. Bala Krishna Naidu	Director
Mr. Surender Naidu	Director
Mrs. C R Sridevi	Director
Mr. C M S Naidu	Director

Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31		
	2002	2003	2004
Total Income	-*	-*	-*
Profit after taxation	-*	-*	-*
Equity Share Capital	0.05	0.05	0.05
Reserves (excluding revaluation reserves)	-	-	-
Share Application Money	0.76	0.80	0.82
Net worth	Nil	Nil	(0.02)
NAV per Share (Rs.)	Nil	Nil	-ve
EPS per Share (Rs.)	-*	-*	-*

*: The Company has not yet commenced commercial operations, hence expenditure incurred has been capitalized as pre-operative expenses. Consequently, the income, PAT and EPS are Nil.

The Company has not availed any loans from any Banks or Institutions.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors. None of the above concerns have become sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

There are no Companies/ firms / entities from which promoters have disassociated during last 3 years.

PENDING LITIGATIONS AGAINST GROUP COMPANIES, ITS DIRECTORS

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

None of the above concerns have become sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

There are no Companies/ firms / entities from which promoters have disassociated during last 3 years.

COMPANIES FOR WHICH AN APPLICATION HAS BEEN MADE FOR STRIKING OFF NAME

There are no companies associated with Southern Online Bio Technologies Limited, and its directors, for which an application has been made with the Registrar of Companies for striking off the names of those companies.

Changes in Accounting Policies during preceding three years

The change in accounting policies, if any, during preceding three years are disclosed as part of the auditors report.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The following discussion of the Company's financial condition and results of operations should be read together with the audited financial statements for the FY 2003, 2004 and 2005 including the Schedules, annexures and Notes thereto and the Reports thereon, which appear in this Offer document. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of M/s. P. Murali & Co, Chartered Accountants, dated July 1, 2005 in the section with the title 'Financial Information'.

The following discussion is based on the Company's audited financial statements for fiscal 2003, 2004, and 2005, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources.

The Directors confirm that there has been no event or circumstance since the date of the last financial statements, which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

OVERVIEW

The Company has been amongst the foremost Companies to commence ISP operations in the state of Andhra Pradesh and provides various services including Dialup service, Lease lines, web hosting services, dedicated and collocated servers, FTP services.

FINANCIALS

Comparison of the significant items of income and expenditure between financial statement for the FY 2005 over the previous FY2004 and for the FY2004 over the previous FY2003.

Rs. in Lacs

Particulars	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Internet and related services	306.57	309.94	400.19
Other Income	0.53	0.50	0.19
Total	307.10	310.44	400.38
% Increase/(Decrease)	(0.63%)	0.98%	28.97%
Expenditure			
Operating expenses	80.20	97.74	180.01
% to sales	26.16%	31.51%	44.98%
Personnel cost	33.32	37.94	40.86
% to sales	10.87%	12.24%	10.21%
Admin and marketing expenses	96.46	77.07	63.78
% to sales	31.46%	24.87%	15.94%
Financial charges	17.05	16.09	10.59
% to sales	5.56%	5.19%	2.65%
Depreciation	75.49	76.57	80.17
% to sales	24.62%	24.70%	20.03%
Profit Before tax	4.58	5.03	24.97
Less: Prior period adjustments	0.34	0.33	2.19
Profit for the year	4.24	4.70	22.78
Current taxation	0.35	0.39	1.70
Deferred taxation	-	14.10	19.66
Profit after taxation**	3.89	18.41	40.74
% Increase	(29.91)%	373.26%	121.29%

** : There have been no exceptional/extraordinary items of income or expenditure during the aforesaid periods.

Note: Profits after taxation has been considered excluding the transitional provision of deferred tax.

Key asset and liability patterns

Fixed Assets

The fixed assets of the Company show a decreasing trend in absolute value terms on a year-on-year basis. This is evident from the fact that the net block which stood at Rs. 402.30 lacs on March 31, 2001 has declined to Rs. 203.21 lacs on March 31, 2005.

Current Assets

The total current assets display an increasing trend, total current assets which stood at Rs. 304.70 lacs as on March 31, 2001 stands at Rs. 718.57 lacs. The primary reason for the increase in the current assets is the high credit period which is required to be given to the customers in ISP business due to which the debtors have increased.

Debtors

The age wise analysis of debtors for the past two years is given below:

(Rs. in Lacs)

Particulars	As on March 31, 2005	As on March 31, 2004
Outstanding for a period exceeding six months	426.96	463.10
Other debts	74.52	73.18
Total	501.48	536.28

The reason for a high level of debtors is the high credit periods which have to be given in the ISP business due to high level of competition. However, as evident above, the debtors outstanding for a period exceeding six months have reduced due to strengthening of recoveries and better credit management by the Company.

(a) Comparison of Performance and Analysis of Developments for Financial year ended March 31, 2005 vis-à-vis March 31, 2004

Revenue

During the year ended March 31, 2005 the sales stood at Rs. 400.19 lacs as against 309.54 lacs for the year ended March 31, 2004 registering a growth of 29%. The net profit before tax stood at Rs. 24.97 lacs for the year ended March 31, 2005 as against Rs. 5.03 lacs in the previous financial year ended March 31, 2004 registering a growth of about 400%. The increase in profit is due to increase in business, reduction of operational cost, increase in number of customers etc.

Costs

Operating cost

Operating costs comprise primarily of lease line rentals paid to the telecom operators for the provision of bandwidth. The operating cost as a % to sales has increased to nearly 45% in FY2005 as against about 31.5% in FY2004. The increase is due to higher bandwidth capacities which have resulted in higher bandwidth costs coupled with a lower average realization as against the previous year due to reduction in tariffs.

Personnel cost

Personnel costs have shown an increase in FY2005 in absolute terms as compared to the previous year, i.e. FY2004. However the personnel cost as a % to sales have decreased from 12.24% in FY2004 to 10.21% in FY2005. The increase in the absolute terms is due to addition of manpower and annual increments. However, the incremental costs have not moved up in line with the growth in revenue since the existing manpower is sufficient to cater to the higher volumes.

Administrative and marketing expenses

Administrative and marketing expenses, being fixed costs, have witnessed a decline from 24.87% in FY2005 to 15.94% in FY2004, primarily due to increase in revenues.

Financial expenses

Financial expenses comprise of interest on term loan and on overdraft facilities availed from the banks. Interest costs, as a percentage to sales, have gone down from 5.19% in FY2004 to 2.65% in FY2005 due to reduction of term loan outstanding on account of repayment.

Depreciation

Depreciation is primarily on EDP equipments and has gone down due to lower written down values of assets.

(b) Comparison of Performance and Analysis of Developments for Financial year ended March 31, 2004 vis-à-vis March 31, 2003

Revenue

During the financial year ended March 31, 2004 the sales stood at Rs. 310.44 lacs as against 307.10 lacs in the previous year registering an increase of about 1%. The net profit before tax stood at Rs. 5.03 lacs as against Rs. 4.58 lacs in the previous year registering an increase of about 10%.

Costs

Operating cost

Operating costs comprise primarily of lease line rentals paid to the telecom operators for connection to the internet cloud. The operating cost as a % to sales has grown from 26.16% in FY2003 to 31.51% in FY2004. The growth in lease line rentals is due to increase in capacities of leased lines obtained by the Company.

Personnel cost

Personnel costs have shown an increase in absolute amount in FY2004 as compared to FY2003 and have also increased as a % to sales. The increase from 10.87% in FY2003 to 12.24% in FY2004 is due to annual increments besides adding manpower.

Administrative and marketing expenses

Administrative and marketing expenses have witnessed a drop from 31.46% in FY2003 to 24.87% in FY2004 primarily due to the reduction in bad debts provision which was a one time hit taken by the Company in FY2003.

Financial expenses

Financial expenses comprise of interest on term loan and on overdraft facilities availed from the banks. Interest has gone down marginally to 5.19% of sales in FY2004 due to gradual reduction of term loan outstanding on account of repayment.

Depreciation

Depreciation is primarily on EDP equipments and has shown negligible fluctuation and remains at round 24.6% in FY2004.

Information required as per clause 6.8 of the SEBI Guidelines:

a. Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place.

b. Significant Economic changes that materially affected or are likely to affect income from continuing operations:

The Company's results are significantly dependent on the overall business environment, primarily in the software sector. Significant variations in the software sector, such as the dot com burst in 2002 could affect the revenues from continuing operations. Besides, revenues would also depend on policy enactments regarding entry fees/License fees to private sector ISPs.

Regarding the Bio diesel project, the Company's results would significantly depend on the legislations, policies and other regulations, if and when enacted, as applicable to the sector.

Except the above, there are no significant economic changes that materially affect or likely to affect income from continuing operations.

c. Known trends or uncertainties

The continuation of the Company's ISP business is dependent on the policy enactments regarding applicability of entry fees/License fees. Apart from this mentioned risk and other risks as disclosed elsewhere in this offer document, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

d. Future relationship between costs and revenue

- 1. Raw Material:** The Company's Bio diesel project is dependent on adequate and timely availability of Pongamia/Jatropha seeds or other non edible oil at a reasonable price which is used as primary raw material. Since, the Company has signed letter of intent with a foreign Company for supply of non edible oil (in absence of adequate availability of Pongamia/Jatropha seeds/oil), no changes are envisaged in the short term in the costs of procurement of the aforesaid raw material.

e. **Seasonality of business**

None of the Company's products sold are seasonal in nature.

f. **Over dependence on Single supplier/Customer**

The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier.

g. **Total turn over of the Industry**

Please refer to the Para on "Industry Data" referred on page 36 of this Offer document.

h. **Competitive conditions**

The Company has been strengthening its position within the ISP business by consolidating the business in all the product lines in which it is operating. Further, the Bio diesel project, being the first commercial project of its kind in India and there being significant demand for fuel in India, no material pressure is expected due to competition.

i. **New Products introduced during the period ended December 2004.**

The Company has not introduced any products during the period ended December 2004.

DETAILS OF ANY ENCUMBRANCES OVER THE PROPERTY OF THE COMPANY AND GUARANTEES GIVEN BY THE COMPANY TO ANY OTHER PARTY:

There are no other encumbrances over the property of the Company, except those mentioned in the auditors' report with regard to loans taken by the Company. The same details as specified in the auditors' report have been detailed below:

Sr. No.	Lender & Type of Facility / Sanction letter no. and date	Amount sanctioned/ Rate of Interest	Amt. Availed	Amt. outstanding as on 31.03.2005	Security
1	Term loan:Bank of India, Banjara Hills Branch, Hyderabad BNJH: RVLN:2004-05 Dated 28.09.2004.	50.00 11.75%	48.12	45.95	Hypothecation of EDP equipments, movable and immovable assets of the Company and Directors and their Relatives' personal guarantees
2	Cash Credit : Bank of India, Banjara Hills Branch, Hyderabad BNJH: RVLN:2004-05 Dated 28.09.2004.	35.00 14%	28.06	1.01	Against book debts and Directors and their Relatives' personal guarantees
3	Bank Guarantee* Bank of India, Banjara Hills Branch, Hyderabad BNJH: RVLN:2004-05 Dated 28.09.2004.	10.00	10.00	10.00	Fixed Deposits with Bank

DETAILS OF MATERIAL DEVELOPMENTS AFTER THE DATE OF LAST BALANCE SHEET:

The material developments that have taken after the date of last balance sheet i.e. March 31, 2005 are:

- Memorandum of Understanding (MoU) entered into with Sustainable Transformations Private Limited (STPL) whereby STPL is taken as a consultant for the bio diesel manufacturing facility.
- Commencement of trial runs with 20% blend bio diesel on a APSRTC bus.

LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

There are no litigations in which the promoters are involved, defaults to the financial institutions/banks and non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters and the Companies/Firms promoted by the promoters.

There are no such cases of pending litigations, defaults, etc. in respect of Companies / firms / ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.

There are no litigations against the Promoter or Director, involving violation of statutory regulations or criminal offence.

There are no pending proceedings initiated for economic offences against the directors, the promoters, Companies and firms promoted by the promoters.

There are no cases against the Company or its Promoters of economic offences in which penalties were imposed by the concerned authorities.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

GOVERNMENT AND OTHER STATUTORY APPROVALS

The Company has received all the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except the pending approvals, if any, mentioned under this heading.

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

The Company has received the following Government and/or statutory approvals/licenses/permissions:

INVESTMENT APPROVALS

As per Notification No. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

The Company has received permission from the RBI vide its letter dated March 15, 2005 seeking permission to issue upto 40,00,000 shares of the Company to FIIs, NRIs.

ALL GOVERNMENT AND OTHER APPROVALS

1. Certificate of Incorporation No.01-30463 dated November 9, 1998 and converted into Public Limited Company on January 4, 2000 and change of name u/s 21 of the Companies Act, 1956 to Southern Online Bio Technologies Limited on March 31, 2004 by the Registrar of Companies, Andhra Pradesh at Hyderabad.
2. Registration vide APGST No: ABS/06/1/3783/00-01 valid from January 15, 2001 issued by the Commercial Tax Department, Basheerbagh Circle, Hyderabad.
3. Registration vide CST No. ABS/06/1/2906/00-01 valid from January 15, 2001 issued by the Commercial Tax Department, Basheerbagh Circle, Hyderabad.
4. Registration No. 0877/ABS/PT/06 as an employer under the Andhra Pradesh State Tax on Trades, Callings and Professions and Employments Act, 1987 issued by Professional Tax Office, Basheerbagh Circle, Hyderabad.
5. Allotment of Tax payers Identification Number 28750110523 dated March 25, 2003 issued by the Commercial Tax Department, Basheer Circle, Abids Division, Hyderabad.
6. Central Excise Registration No: OID/HYD-III/03/2001(Stax) dated July 23, 2001, issued by the Ministry of Finance, Department of Revenue Office of the Commissioner of Central Excise (Service tax cell), Hyderabad- III, Commissionerate, Bashir Baug, Hyderabad – 500004.

7. Permanent Account Number: AAEC57574E allotted by the Office of the Chief Commissioner of Income Tax, Hyderabad dated August 14, 2000.
8. Copy of letter from the Regional Provident Fund Commissioner, Hyderabad, bearing P.F. Registration No: AP/HY/37550 dated April 8, 2000.
9. License Agreement no. 820-75/98-LR dated December 10, 1998 for provision of internet service including internet telephony with Government of India, Ministry of Communications and Information Technology, Department of Telecommunications, Telecom Commission. License No. 820-75/2002/LR dated June 4, 2002 for providing VOIP services.
10. Certificate of Importer-Exporter Code (IEC) No. 0900006005 bearing the date of Issue September 5, 2000 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Hyderabad vide File No.09/04/130/00599/AM01 dated September 5, 2000.
11. Host Country Approval for 30TPD Bio Diesel project at Samasthan Narayanpur village, Choutppal Mandal, Nalgonda District, Andhra Pradesh vide letter no. F. No. 4/10/2003/CCC dated November 15, 2004 issued by Government of India, Ministry of Environment & Forests
12. Pollution Clearance for the Bio diesel plant from Andhra Pradesh Pollution Control Board vide Consent letter bearing ref. no: NLG-183/PCB/ZO/RCP/CFE/2005 – 418, Dtd: 7-02-2005
13. License from the Department of Factories, A.P., vide letter bearing ref. no: DIS./D2/NLG-II/998/2005, Dtd: 2-02-2005
14. Approval for power connection from Andhra Pradesh Central Power Distribution Company Ltd., vide sanction Memo no: SE/OP/NLG/COMML.2/F.NO./D.NO.2697/04, Dtd: 04-01-2005
15. Approval from Director of Town and Country Planning for construction of the project vide Lr no: D.DIS.NO.85/05/P, Dtd: 7-01-2005.
16. Approval from Gram Panchayat, Narayanpur Village and Mandal for the project vide F no: 844, Dtd: 11-01-2005.

DECLARATION OF THE CENTRAL GOVERNMENT / RBI

It must, however, be distinctly understood that in granting the above consents/licenses/ permissions/ approvals, the Government/ RBI does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, present issue of Equity Shares has been authorized vide resolution passed at the Annual General Meeting of the Company held on 9th June 2004 and resolution passed at the Board meeting held on May 13, 2004 and April 23, 2005.

PROHIBITION BY SEBI

The Company, its directors, any of the Company's Associates or Group Companies, and Companies with which the directors of issuer are associated, as directors or promoters, have not been prohibited from accessing the capital market under any order or directions passed by SEBI. The listing of any securities of the issuer has never been refused at anytime by any of the stock exchanges in India.

ELIGIBILITY FOR THE ISSUE:

For Rights Issue:

SBT is an existing Listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4 (iv) of the SEBI (DIP) Guidelines, 2000.

For Public Issue:

The Company is eligible to access the capital market through public Issue of equity shares as per Clause 2.3.1 of the SEBI (Disclosure & Investor protection) Guidelines as it is an existing listed Company and the aggregate of the proposed Issue (Rs. 1,710 lacs) and all previous issues (Rs. Nil) made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five times its pre-Issue Networth (i.e. Rs. 796.04 lacs as on March 31, 2005) as per the last available audited accounts, either at the time of filing the Offer document with SEBI or at the time of opening of the Issue.

There has been no change in the name of the company during last 1 year.

DISCLAIMER CLAUSES

SEBI DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE. THE LEAD MANAGER, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED APRIL 28, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

WE CONFIRM THAT:

- A. THE PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- D. WE CONFIRM THAT, BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.**
- E. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

III WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.”

DISCLAIMER FROM THE ISSUER

Investors may note that Southern Online Bio Technologies Limited accepts no responsibility for statements made other than in this offer document or in the advertisement or any other material issued by or at the instance of the Issuer Company or Lead Manager and that any one placing reliance on any other source of information would do so at their own risk

All information will be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The Issuer accepts full responsibility for the accuracy of the information given in the Offer document and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which would make any statement in the offer document misleading and they further confirm that they have made all reasonable enquiries to ascertain such facts. The Issuer further declares that the Stock Exchanges to which applications for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statements made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this offer document has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /with held and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers with in 7 days thereafter with out prejudice to the provisions of Section 63 of the Companies Act.

JURISDICTION

This Issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate bodies and Societies Registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trust registered under the Societies Registration Act, 1860, or any other trust law and who are authorised their constitution to hold and invest in shares) and to NRIs and FIIs as defined under Indian laws. This offer document does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation to such jurisdiction. Any person into whose possession this offer document comes is required to inform him about and to observe any such restrictions. Any disputes arising out of this offer will be subject to the jurisdiction of appropriate courts. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this offer document has been submitted for approval and has been filed with SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this offer document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this offer document nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Southern Online Bio Technologies Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (Designated Stock Exchange)

As required, a copy of this prospectus has been submitted to the BSE (the Designated Stock Exchange). The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated May 26, 2005, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which the Companies securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

- (a) Warrant, certify or endorse the correctness or completeness of any of the contents of this prospectus or
- (b) Warrant that the Company's securities will be listed or will continue to be listed on the Exchange or
- (c) Take any responsibility for the financial or other soundness of this company, its promoters, its management, or any scheme or project of this company

and it should not for any reason be deemed or construed that this prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE HYDERABAD STOCK EXCHANGE (HSE)

HSE has scrutinized this prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. HSE has given its permission vide its letter dated May 17, 2005.

HSE does not in any manner:

- (a) Warrant, certify or endorse the correctness or completeness of any of the contents of this prospectus or
- (b) Warrant that the Company's securities will be listed or will continue to be listed on the Exchange or
- (c) Take any responsibility for the financial or other soundness of this company, its promoters, its management, or any scheme or project of this company

It should not, for any reason, be deemed or construed that the prospectus has been cleared or approved by HSE. Every person who desires to apply for or otherwise acquire any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the HSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE BANGALORE STOCK EXCHANGE (BGSE)

BGSE has scrutinized this prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BGSE has given its permission vide its letter dated May 26, 2005.

BGSE does not in any manner:

- (a) Warrant, certify or endorse the correctness or completeness of any of the contents of this prospectus or
- (b) Warrant that the Company's securities will be listed or will continue to be listed on the Exchange or
- (c) Take any responsibility for the financial or other soundness of this company, its promoters, its management, or any scheme or project of this company

It should not, for any reason, be deemed or construed that the prospectus has been cleared or approved by BGSE. Every person who desires to apply for or otherwise acquire any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BGSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

FILING

1. A copy of this Prospectus along with the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, Andhra Pradesh at Hyderabad,.
2. Copy of the prospectus has been filed with SEBI, Chennai.

LISTING

Listing applications have been made to BSE (Designated Stock Exchange), HSE and BGSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case, the permission for listing and or dealing and official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Offer Document. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

MINIMUM SUBSCRIPTION

For Non Underwritten Rights issue

If the Company Does not receive application money for at least 90% of the issued amount, the entire subscription will be refunded to the applicants within forty two days from the date of closure of the issue. If there is a delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after the closure of the issue), the Company will pay interest for the delayed period, at prescribed rates in sub section (2) and (2A) of Section 73 of the Companies Act, 1956,

For Underwritten Public Issue:

If the Company does not receive the minimum subscription of 90% of the net offer to the public including devolvement on Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Act.

ACCESS TO FUNDS

Subscription received against the public cum rights Issue will be kept in separate Bank accounts. The Company will not have access to the funds received under rights Issue component unless it has received minimum subscription of 90% of the application money towards both the rights and public Issue component and the permission of BSE is obtained to use the amount of subscription. The Company will obtain the permission of BSE by producing necessary documentary evidence of subscription of 90% or more on closure of the Issue to utilise the funds collected as per the present rules.

The Company will not have access to the funds received against the public Issue component until it has received approval for allotment from BSE and Listing and Trading permission is received from BSE, BgSE and HSE.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

CONSENTS

Necessary Consents for the issue have been obtained from the following

1. Directors of the Company
2. Bankers to the Company
3. Statutory Auditors of the Company
4. Lead Managers to the Issue
5. Registrar to the Issue
6. Underwriters to the Issue
7. Bankers to the Issue

EXPERT OPINION

The Company has not obtained any expert opinions related to the present issue.

ISSUE EXPENSES

The expenses of the Issue payable by Southern Online Bio Technologies Limited inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Underwriters & Tax Consultants, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will be met out of the proceeds of the present issue.

Rs. in Lacs

Sl. No.	Particulars	Amount
	Issue Expenses :	
1	Lead Managers & Registrars fees, Audit Fees & consultancy	56.00
2	Printing & Stationery / Dispatch	30.00
3	Brokerage & Underwriting Commission	38.75
4	Advertisement & Marketing Expenses	23.35
5	Other Expenses (Listing Fees, Depository Charges etc.)	8.55
	Total	156.65

DETAILS OF FEES PAYABLE

Sr. No	Particulars	Fees in Rs. lacs	% of total Issue Size
1.	Lead Managers Fees	34.00	2.00%
2.	Registrars fees	3.00	0.17%

Fees payable is as per the Memorandum of Understanding signed with the Lead Manager and Registrars to the issue and as per the engagement letter signed with the Legal Advisor and are available for inspection at the Registered Office of the Company.

The Registrar to the issue will be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders/ letter(s) of allotment/share certificate(s) by registered post.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

An underwriting commission @ 1.5% of the total amount underwritten is payable to the underwriters on the offer price of the Equity Shares offered through this offer document to the net offer to the public for subscription and underwritten in the manner mentioned in this offer document.

Brokerage for the issue will be upto 1.50% of the issue price of the Equity Shares, which would be paid by Southern Online Bio Technologies Limited on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

PREVIOUS PUBLIC OR RIGHTS ISSUES (During the last five years)

Southern Online Bio Technologies Limited has not made any public or rights issue during the last 5 years.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

Southern Online Bio Technologies Limited has not issued any Equity Shares for consideration other than cash, except as mentioned in the notes to Capital Structure.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

All commission and brokerage amounts on account of previous issue has been duly paid by the Company and there is no commission or brokerage payable.

DETAILS OF CAPITAL ISSUES MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956.

There have not been any public issue by the Southern Online Bio Technologies Limited and by any of its group companies during the last three years.

PROMISE VIS-À-VIS PERFORMANCE

PARTICULARS REGARDING THE LAST THREE PUBLIC ISSUES MADE BY THE COMPANY

SBT has made only one public Issue in May 2000 of 13,40,000 equity shares of Rs. 10 each at par aggregating Rs. 134.00 lacs.

A. PROMISE VIS-À-VIS PERFORMANCE

Rs. in Lacs				
For the year ended March 31	Particulars	Total Income	PAT	Dividend (%)
2000-01	Projected	890.00	416.38	—
	Actual	332.13	64.25	—
	Variation %	62.68	84.57	—
2001-02	Projected	1112.50	474.79	20
	Actual	309.04	5.97	—
	Variation %	72.22	98.74	100
2002-03	Projected	1390.63	638.61	30
	Actual	307.10	4.22	—
	Variation %	77.92	99.34	100

Reasons for variation in promises v/s performance

2000-01

The projections of Rs. 890 lacs were made considering revenues of Rs. 710 lacs from ISP services and Rs. 180 lacs from E-commerce and software development. As against the projected revenues, the Company achieved a turnover of Rs. 332.13 lacs from the ISP services business only.

The projections had considered setting up of own Gateway, however, requisite governmental clearances could not be obtained for setting up the same. Consequently, the Company used the Gateway of VSNL for providing the ISP services which hampered revenue growth and the ability to offer the services.

Regarding the E-commerce business, the Company could not achieve projected revenues due to overall recession in the software market and the dot com burst.

2001-02 and 2002-03

As stated in the preceding paras, the Company could not set up its own gateway which hampered revenues during the preceding financial year and FY2001-02 and 2002-03 due to non receipt of governmental clearances. Also, since the overall software market was in a continued phase of recession, the Company was unable to meet the projections.

B. Details of Complaints received related to the Issue and their Status is as under:

Source	No. of Complaints		
	Received	Resolved	Pending
SEBI	Nil	Nil	Nil
Stock Exchanges	Nil	Nil	Nil
Shareholders	74	74	Nil

All the above complaints are related to the non-receipt of Refund Orders / Share Certificate.

Status of complaints received during the last one year is as under:

Source	No. of Complaints		
	Received	Resolved	Pending
SEBI	Nil	Nil	Nil
Stock Exchanges	Nil	Nil	Nil
Shareholders	5	5	Nil

There are no complaints pending as on date of filing this offer document with SEBI.

C. Schedule of Implementation – Proposed v/s Actual

Particulars	Proposed Date	Actual Date
Obtaining Licenses	February 2000	February 2000
Signing Agreement with Foreign Supplier	January 2000	January 2000
Delivery of Equipments	May 2000	May 2000
Installation of Equipments	May 2000	May 2000
Commissioning of Gateway	May 2000	—

The Company has completed all the activities on schedule, except for the commissioning of International Gateway. The Company finally surrendered Gateway Licence in January 2004 due to delay in getting necessary Government clearance for almost 4 years, however there was no cost overrun due to this.

There is no group Company, which has made any public issues.

OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED AND OUTSTANDING AS ON THE DATE OF THE OFFER DOCUMENT AND TERMS OF ISSUE

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding.

STOCK MARKET DATA

(i) The following is the movement in the share price of the Company on the HSE:

Calendar Year	High*			Low*			Average price (Rs.)
	Date	(Rs.)	Volume	Date	(Rs.)	Volume	
2001	03.01.2001	9.00	100	10.09.2001	3.50	300	6.25
2002	13.02.2002	3.05	1400	28.03.2002	2.00	10	2.53
2003	—	—	—	—	—	—	—
2004	—	—	—	—	—	—	—
2005	09.02.2005	20.50	100	16.08.2004	2.40	100	11.45
Upto July 25, 2005	04.07.2005	25.00	5500	16.06.2005/ 13.07.2005	13.00	100/ 2000	17.73

* High/Low prices based on closing quotations on the HSE

(ii) The closing market price of the equity share of the Company on the HSE on the day after the Board approved the Issue, i.e. May 13 2004 was Rs. 2.40 per share on August 16, 2004. (Source: www.hseindia.org)

(iii) The total volume of equity shares traded in each month, monthly high and low prices for equity shares for the preceding six months on the HSE are as follows:

Period	High Price (Rs.)	Date of High Price quotation	Shares Traded on the day of High Price	Low Price (Rs.)	Date of Low Price quotation	Shares Traded on the day of Low Price	Average Price	Total Volume for the Month
February 2005	20.50	09.02.05	100	15.80	21.02.05	2	18.15	2102
March 2005	19.95	02.03.05	100	14.40	16.03.05	100	17.17	1100
April 2005	18.75	18.04.05	200	15.65	07.04.05	100	17.20	300
May 2005	20.25	26.05.05	100	18.50	05.05.05	100	19.37	300
June 2005	21.50	27.06.05	100	13.00	16.06.05	100	17.25	750
July 2005	20.00	04.07.05	5500	13.00	13.07.05	2000	19.00	9300

(iv) The Equity Shares of the Company are not traded during last 3 years on BgSE.

INVESTORS' GRIEVANCES REDRESSAL MECHANISM

The Registrar to the Issue i.e., Aarthi Consultants Private Limited will handle investors' grievances pertaining to this issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrars to the issue in attending to the grievances of the investors. The Company assures that the Registrars, in respect of the complaints, if any, to be received, shall adhere to the following schedules-

Sr. No	Nature of the Complaint	Time Taken
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

The Company has appointed Mr. D.Krishna Rao as Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance officer will be available at the Registered Office of the Company.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There has been no change in auditors of the Company during the last 3 years except that in 2003-2004 M/s. Umareddy & Associates, Chartered Accountants, auditors of the Company have resigned w.e.f. February 13, 2004 due to their preoccupation and in their place M/s. P. Murali & Co., Chartered Accountants, have been appointed as auditors of the Company.

CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS

There has not been any capitalisation of reserves or profits during the last five years, except as stated in the notes to capital structure.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

There has not been any revaluation of Assets during the last five years.

Information as required by Government of India, Ministry of Finance, Circular No. F2/5/SE/76, dated February 5, 1977 as amended vide their Circular of even number dated March 8, 1977 is given below:

1. Working Results of the Company

Unaudited financial results for the quarter ended June 30, 2005

Rs. in Lacs

Particulars	Amount
Income from Operations	106.20
Total Income	106.20
Profit before depreciation and tax	26.26
Provision for Depreciation	20.00
Provision for Tax	-
Net Profit/(Loss) after Tax	6.26

- a. Save as stated elsewhere in the Offer document, there are no material changes and commitments, which are likely to affect the financial position of the Company since March 31, 2005 (i.e. last date up to which audited information is incorporated in the Offer document)
2. a) Week end prices of Equity Shares of the Company for the last four weeks on the HSE are as below:

Week ended on	Closing Rate (Rs)
July 29, 2005	No trading
July 22, 2005	No trading
July 15, 2005	No trading
July 8, 2005	16.00

- b) The Highest and Lowest price of the equity shares of the Company on HSE, during the above period from July 4, 2005 to July 29, 2005, were Rs. 25.00 (July 4, 2005) and Rs. 13.00 (July 13, 2005) respectively.
- c) The closing Price of the Equity Shares of the Company on the HSE on August 1, 2005 was Rs. 11.50.

OFFERING INFORMATION

A. TERMS OF THE RIGHTS ISSUE COMPONENT

Dear Shareholders,

Authority of the Issue

Pursuant to Section 81(1A) of the Companies Act, 1956, present Issue of equity shares has been authorized vide Special Resolution passed at the Annual General Meeting of the Company held on June 09, 2004 and a resolution passed by the Board of Directors on May 13, 2004 and April 23, 2005.

PRINCIPAL TERMS AND CONDITIONS

Basis of the Issue

32,59,084 Equity Shares of Rs.10/- each for cash at par are being offered for subscription to the members of the Company whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form or on the Register of Members of the Company in respect of shares held in physical form as on [·], being the Record Date fixed by the Company in consultation with BSE (the Designated Stock Exchange), on Rights basis in the ratio of four equity shares for every seven equity share (i.e.4:7) held in the Company.

Rights Entitlement

As your name appears as beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Issue. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF.

Fractional Entitlement

For Equity Shares being offered on rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than 7 or is not in the multiples of 7, then the fractional entitlement of such holders for Equity Shares shall be rounded up to the next higher integer. The Equity Shares needed for such shares will be first adjusted from the unsubscribed portion of the Issue, if any and should there be further requirement, the same will be adjusted from the Promoter Group's entitlement at the time of the allotment.

Face value per share

The Equity Share shall have the face value of Rs.10/- per share.

Issue Price per share

The Equity Share is being offered at par.

Terms of Offer

The Equity Shares, now being issued, are subject to the terms and conditions of this Offer document, the enclosed Composite Application Form ("CAF"), the Memorandum & Articles of Association of the Company, the approvals from the GOI, FIPB and RBI, if applicable, the provisions of the Companies Act, 1956, guidelines issued by SEBI, Guidelines, Notifications and Regulations for Issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advise or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Terms of payment

The entire Issue price of Rs. 10/- per Equity Share shall be payable on Application.

Nomination facility

In terms of Section 109A of the Act, nomination facility is available in case of equity shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

Offer to Non-Resident Equity Shareholders/Applicants

As per regulation 6 of Notification No. FEMA 20/200-RB dated May 03, 2000, RBI has granted general permission to Indian Companies to Issue rights/bonus equity shares, including additional equity shares to existing non-resident shareholders. The existing non-resident shareholders may, in addition to their entitlement, apply for Issue of additional Equity Shares. Non-residents may renounce the Equity Shares offered in full or part thereof in favour of an Indian resident or a non-resident Indian. Allotment of Equity Shares to Non Residents Indians including additional shares and to Non Resident Renounees is subject

to the conditions specified in the aforesaid Notification No. 20/2000-RB and other applicable provisions of FEMA. Other Non resident Companies/Bodies Corporate applying for equity shares should be registered under the relevant statutes and laws of the host country and are eligible for investment under The Foreign Direct Investment Scheme indicated in Notification No. FEMA 20 dated May 03, 2000 and amended from time to time. Allotment to erstwhile OCBs is subject to specific approval of the RBI under FEMA.

Market lot

The Equity Shares of the Company are tradable only in dematerialized form. The market lot for trading Equity Shares in demat form is one (1). In case of applications made by shareholders for receiving Equity Shares in physical form, the Company will Issue to the allottees one certificate for the Equity Shares allotted ("consolidated certificate"). In respect of the consolidated certificate, the Company will, upon receipt of a request from the shareholder along with the consolidated certificate, split and duly return such split certificates as desired by the shareholder within 7 days from the date of request. No fee would be charged by the Company for splitting such consolidated certificate.

Ranking of the Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividends with the existing equity shares of the Company.

Option available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to. If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares
- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part

Renounees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

How to Apply

Resident Equity Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given on page no. 111 in this Offer Document.

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the Reserve Bank of India, in the matter of Refund of application moneys, allotment of Equity Shares, Issue of Letters of Allotment/ certificates/ payment of dividends etc.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for Renounees

Part D: Form for request for split application forms

Acceptance of the Rights Offer

You may accept the Offer and apply for Equity Shares offered, either in full or in part by filling Block III of Part "A" of the enclosed CAF and submit the same along with the application money payable to the "Bankers to the Issue" or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. The Board will have the right to extend the last date for receipt of CAF for such period as they may deem fit but in no case would the offer for subscription to the Issue be kept open for more than 60 (sixty) days. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Hyderabad/demand draft (Net of demand draft charges and postal charges) payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the

Registrar to the Issue are liable to be rejected.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement for the Equity Shares in full or in part in favour of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favour of:

- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

Any renunciation from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/ renounee(s) obtaining the approval of the FIPB and/ or necessary permission of RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approval are liable to be rejected.

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) is subject to the prevailing RBI guidelines.

By virtue of the Circular No. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the equity shares being offered but wish to renounce the same in favour of renounees shall not renounce the same (whether for consideration or otherwise) in favour of OCBs.

The right of renunciation is subject to the express condition that the Board of Directors / Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renounee(s) without assigning any reason thereof.

Procedure for renunciation

To renounce the whole offer in favour of one renounee

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint Renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person or persons, not more than three, who is/are not already joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renounee(s) without assigning any reason thereof.

Please note that:

- (a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- (b) Only the person to whom this Offer document has been addressed to and not the renounee(s) shall be entitled to renounce and to apply for Split Application forms. Forms once split cannot be split again.
- (c) Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s).

Applications for additional Equity Shares shall be considered and allotment shall be made in the manner prescribed on in the Offer document under the "Basis of Allotment". The renounee (s) applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis with reference to number of Equity Shares held by the shareholders as on Record Date i.e. August 18, 2005 in consultation with the Designated Stock Exchange.

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A(All joint holders must sign)
2. Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3. Renounce your entitlement in full to one person (Joint renounees are considered as one).	Fill in and sign Part B(All joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the renounee. The renounees must fill in and sign Part C (All joint renounees must sign)
4. Accept a part of your entitlement and renounce the balance to one or more renounee(s) OR Renounce your entitlement to all the Equity Shares offered to you to more than one renounee	Fill in and sign Part D(all joint holders must sign) requesting for Split Application Forms.Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.On receipt of the Split Form take action as indicated below. <ul style="list-style-type: none">● For the Equity Shares you wish to accept, if any, fill in and sign Part A (All joint holders must sign)● For the Equity Shares you wish to renounce, fill in and sign Part B (a ll joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the renounees.● Each of the renounees should fill in and sign Part C for the Equity Shares accepted by them.
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in and sign Part C.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will, on the request of the applicant, Issue a duplicate CAF. The applicant should furnish the registered folio number/ DP and Client ID no. and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilise the original CAF for any purpose including renunciation, even if it is received/ found subsequently. In

case the original and the duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Hyderabad/ Demand Draft payable at Hyderabad which should be drawn in favour of the “_____ **Bank - A/c SBT - Rights Issue**” and send the same by registered post directly to the Registrar to the Issue. The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue on or before the Date of Closure of the Issue and should contain the following particulars:

1. Name of Shareholder including joint holders
2. Address of the Equity Shareholder
3. Registered Folio Number/ DP ID and Client ID no.
4. Number of shares held as on Record Date
5. Certificate Number and Distinctive numbers, if held in physical form
6. Number of Rights Equity Shares entitled
7. Number of Rights Equity Shares applied for
8. Number of additional Equity Shares applied for, if any
9. Total number of Equity Shares applied for
10. Total amount paid @ Rs. 10 /-per Equity Share
11. Particulars of Cheque/ Draft
12. Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the Refund Order
13. PAN/GIR number and Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs.50,000 or more for the applicant and for each applicant in case of joint names, and
14. In case of Non Resident Shareholders, NRE/ FCNR/ NRO A/c No. Name and Address of the Bank and Branch
15. If payment is made by a draft purchased from NRE/ FCNR/ NRO A/c No., as the case may be, an Account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting NRE/ FCNR/ NRO Account.
16. Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company / Depositories.

Payments in such cases, should be through a cheque/demand draft payable at Hyderabad be drawn in favour of the Bankers to the Issue crossed “A/c Payee” and marked “_____ **Bank - A/c SBT - Rights Issue**”.

In respect of Non Residents they should follow the mode of payment is indicated in point(s) on page no. 112 of this Offer document.

Please note that those who are making the application on a plain paper shall not be entitled to renounce their Rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications and the amounts remitted along with the applications will be refunded without any interest within 42 days of the closure of Issue.

Last date of Application

The last date for submission of CAF is September 30, 2005. The Board of Directors of the Company will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Issue opens. If the CAF together with the amount payable is not received by the Bankers to the Issue/ Registrar on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Offer document shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the heading “Basis of Allotment”.

Basis of Allotment

Subject to provisions contained in this Offer document, the Articles of Association of the Company and approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- (b) In case of Equity Shareholders who having applied for all the Equity Shares offered to them as rights and have also applied for additional Equity Shares, the allotment of additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such additional Equity Shares shall be made as far as possible on equitable basis with reference to number of Equity Shares held on August 18, 2005 i.e. Record Date, within the overall size of Rights Issue at the sole and absolute discretion of the Board of Directors or Committee thereof in consultation with the Stock Exchange, Mumbai,.
- (c) Allotment to the renouncees, who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the rights issue and not preferential allotment.
- (d) Equity Shares remaining unsubscribed after making full allotments under (a), (b), and (c) above, shall be disposed of by the Board in manner as it in its sole discretion deems fit and the decision of the Board in this regard shall be final and binding.

After taking into account the full allotment under (a), (b) and (c) above, if there is any unsubscribed portion, the Rights Issue, shall be deemed to be "unsubscribed" for the purpose of regulation 3(1)(b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The undersubscribed portion shall be applied for only after the close of the Issue. The Promoter Group or any other person shall subscribe to such undersubscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such undersubscribed portion and if disclosure is made pursuant to SEBI Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the undersubscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and Clause 40A of the Listing Agreement. In any event of under-subscription, the allotment shall be made in terms of (d) above.

Allotment / Refund

The Company will Issue and dispatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the Date of Closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Letters of Allotment/ Share Certificates/ Refund Orders above the value of Rs.1,500 will be dispatched by Registered Post/ Speed Post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs.1,500 shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked "A/c payee only" and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of Letters of allotment/ securities certificates and refund orders.

In case the Company issues Letters of Allotment, the corresponding Share Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Share Certificates.

As regards allotment/ refund to Non - Residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF.

In case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian

Rupee amount into US Dollars. The Equity Share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Equity Share Certificates

Letter(s) of Allotment/ Equity Share certificates or Letters of Regret will be dispatched to the registered address of the first named applicant or credited to the respective beneficiary accounts within six weeks, from the date of closure of the subscription list. In case the Company issues Letters of Allotment, the relative Equity Share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such Letters of allotment (if any) to be exchanged later for Equity Share certificates. Export of Letters of Allotment (if any)/ Equity Share certificates to non-resident allottees will be subject to the approval of RBI.

Arrangement for odd lot Equity Shares

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 (ONE) share. Therefore, there is no possibility of any odd lots.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The Company and the Registrar to the Company as well as Issue – Aarthi Consultants Pvt. Ltd. have signed a Tripartite Agreement with National Securities Depository Limited (NSDL) on August 19, 2004 and with Central Depository Services (India) Limited (CDSL) on June 15, 2004 which enables the investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialised (electronic) form **at the option** of the applicant.

The allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. Investors will have to give the relevant particulars for this purpose in the appropriate place in the CAF. **Applications, which do not accurately contain this information, will be given the securities in physical form.** No separate applications for securities in physical and dematerialized form should be made. If such applications are made, those applications will be treated as multiple applications and are liable to be rejected.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.
2. For Equity Shareholders already holding equity shares of the Company in dematerialised form as on Record Date, the Client ID No. shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form, at the option of the shareholders, even if the original equity shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders are in the same order as in the records of the Company.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. The Rights Equity Shares allotted to investors opting for dematerialized form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, Refund Order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's Depository Participant will provide to the applicant confirmation of the credit of the Rights Equity Shares to the applicant's Depository Account.
5. Renouncees will also have to provide the necessary details about their Beneficiary Account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Utilisation of Proceeds

Subscriptions received against this Issue will be kept in a separate bank account(s) and the Company would not have access to such funds unless it has received minimum subscription of 90% of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Offer document are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at Hyderabad and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for a total value of Rs.50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs.50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle / Ward / District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the CAFs. Forms without this information will be considered incomplete and are liable to be rejected.
- (e) Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held, in the CAF to enable the Registrar to print the said details in the Refund Orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (f) The payment against the application should not be effected in cash if the amount to be paid is Rs.20,000 or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.
- (g) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India. Signatures other than in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity shareholders must sign the CAF as per the specimen signature recorded with the Company.
- (h) In case of an application under Power of Attorney or by a body corporate or by a Society, a **certified true copy of the relevant Power of Attorney or relevant resolution** or authority, to make the investment and signed application Form, along with a copy of the Memorandum & Articles of Association and / or bye laws **must be lodged with Registrars to the Issue giving reference of the serial number of the CAF**. In case these papers are sent to any entity other than the Registrar to the Issue or are sent after the Issue Closure Date, then the application is liable to be rejected.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (j) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent Issue and allotment of Equity Shares, interest, export of Equity Share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific

approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Allotment to erstwhile OCBs is subject to specific approval of RBI.

- (k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrars to the Issue (i.e. Aarthi Consultants Pvt. Limited) in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom Equity Shares have been offered and not renounee(s) shall be entitled to obtain split forms.
- (n) Applicants must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal /money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar to the Issue will not accept payment against application if made in cash. (For payment against application in cash please refer point f above).
- (q) No receipt will be issued for application money received. The Bankers to the Issue/Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (r) Mode of payment for Resident Equity Shareholders/ Applicants**

All cheques / drafts accompanying the CAF should be lodged with the Collecting Bank (specified on the reverse of the CAF), crossed "A/c Payee only" and drawn in favour of "_____ **Bank - A/c SBT - Rights Issue**".

Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft (Net of Bank Charges for obtaining the Demand Draft and postal charges) favouring the Bankers to the Issue, crossed "A/c Payee only" and marked "_____ **Bank - A/c SBT - Rights Issue**" payable at Hyderabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar will not be responsible for postal delays or loss of applications in transit, if any.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5th, 2003, the Stockinvest scheme has been withdrawn with immediate effect. Hence, payment through Stockinvest would not be accepted in the Issue.

(s) Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident Equity Shareholders, the following further conditions shall apply: **Payment by non-residents must be made by demand draft / cheque payable at Hyderabad or funds remitted from abroad in any of the following ways:**

1. Application with repatriation benefits
 - a. By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
 - b. By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Hyderabad; or
 - c. By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Hyderabad; or
 - d. FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
2. Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in

Hyderabad or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be drawn in favour of the Bankers to the Issue “_____ Bank - A/c SBT - Rights Issue - NRI” payable at Hyderabad and must be crossed “A/c Payee only” for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF. Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Note:

In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961. In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the aforesaid Issue Closing Date. A separate cheque or bank draft must accompany each CAF. In case application received from Non-Residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Disposal of application and application money

The Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. No separate acknowledgment will be issued for the application moneys received by the Company. The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto. In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue.

For further instruction, please read the Composite Application Form carefully.

Important

1. Please read this Offer document carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Offer document and must be carefully followed; otherwise the application is liable to be rejected.
2. All enquiries in connection with this Offer document or accompanying Composite Application Form and requests for Split Application Forms must be addressed to the Registrar to Issue (quoting the Registered Folio Number/ DP and Client ID no., the CAF number and the name of the first Equity Shareholder as mentioned on the CAF).
3. It is to be specifically noted that this Issue of Equity Shares is subject to Risk Factors appearing in this Offer Document. The Rights Issue will not be kept open for more than 30 days unless extended, in which case it may be kept open upto a maximum 60 days.

B. TERMS OF THE PUBLIC ISSUE COMPONENT

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The equity shares being issued are subject to the terms of this Offer document, the terms and conditions contained in the Application Form, the Memorandum and Articles of Association of the Company, provisions of the Act, other applicable Acts and the Letters of Allotment/Equity Share Certificates or other documents and the Guidelines issued from time to time by the Government of India, SEBI and the concerned Stock Exchanges.

TERMS OF PAYMENT:

Applications should be for minimum of 500 equity shares and in multiples of 500 equity shares thereafter. The entire Issue price of Rs. 10/- per share is payable in full on application.

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be adjusted against the amount payable on allotment and the balance, if any, shall be refunded by the Company to the applicants.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:

Southern Online Bio Technologies Limited agrees that as far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of public Issue. Southern Online Bio Technologies Limited further agrees that it shall pay interest @ 15% per annum if the Demat shares are not credited or/and refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS:

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 (ONE) share. Therefore, there is no possibility of any odd lots.

RESTRICTIONS, IF ANY ON TRANSFER AND TRANSMISSION OF SHARES/DEBENTURES AND ON THEIR CONSOLIDATION/SPLITTING

For details in respect of any restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer to the heading 'Description Of Equity Shares And Terms Of Articles Of Association' of this Offer document.

RIGHTS OF THE EQUITY SHAREHOLDERS

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares.
- v. Right to receive surplus on liquidation.
- vi. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

RANKING OF EQUITY SHARES

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of the Company, rank *pari passu* with the existing Equity Shares of the Company save and except that they shall be eligible for dividend, if any, which may be declared for the year of allotment, pro-rata for the period from the date of such allotment.

MARKETABLE LOT

The Company shall allot the Equity Shares in dematerialized form only. The trading in the Equity Shares of the Company shall only be in dematerialized form for all investors, where the marketable lot is one (1) equity share. Allotment of the Equity Shares will be done in electronic form rounded off to the nearest integer subject to a minimum allotment of Five Hundred (500) Equity Shares.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first applicant, along with other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the equity shares; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter

withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Offer document and Application Forms

The Memorandum Form 2A containing the salient features of the Offer document together with Application Forms and copies of the Offer document may be obtained from the Registered Office of the Company, Lead Managers to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

Application may be made by

- (a) Indian Nationals resident of India who are Adult Individuals in single name or joint names (not more than three)
- (b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- (c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
- (d) Indian Mutual Funds registered with SEBI
- (e) Indian Financial Institutions & Banks
- (f) Venture Capital Funds / Foreign Venture Capital investors registered with SEBI
- (g) State Industrial Development Corporation
- (h) Insurance Companies registered with Insurance Regulatory and Development Authority;
- (i) Provident Funds with minimum corpus of Rs.25 Crore;
- (j) Pension Funds with minimum corpus of Rs.25 Crore;
- (k) Trusts who are registered under the Societies Registration Act, 1860 or any other trust law and are authorised under its constitution to hold and invest in shares
- (l) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- (m) Permanent and Regular employees of the Company
- (n) Non-Resident Indians (NRIs) on a repatriable/ non-repatriable basis
- (o) Foreign Institutional Investors (FIIs) on a repatriable/non repatriable basis
- (p) Foreign Nationals (Refer note below)

Note:

The Company has received permission from RBI/Government of India for investments in the issue by foreign national vide the following letters:

Letter reference	Date	Issued by
FED.HY.FID/2913/14.29.01/2004-05	March 15,2005	RBI
FED.HY.FID/3883/14.29.01/2004-05	June 25,2005	RBI
	July 6, 2005	Government of India, Ministry of Commerce & Industry (Deptt. of Industrial Policy & Promotion) Udyog Bhavan, New Delhi
	July 11, 2005	Government of India, Ministry of Commerce & Industry (Deptt. of Industrial Policy & Promotion) Udyog Bhavan, New Delhi

The Company has received expression of interest from various foreign nationals for investment in the issue as per the details given below:

S. NO	Status of the Investor	NAME & ADDRESS	USD	EURO	Pounds	Rupees	Post Issue holding
1	Foreign National	CHRISTIAN A SCHMIDT 4620, Park Ave. Apt. 205 -W Chevy Chase, MD 20815-4551	170,000			7,345,700	3.22%
2	Foreign National	KEES SMEEHUYZEN, Marketing USA INC, P.O. Box 546, Delray Beach, FL - 3347-0546	100,000			4,321,000	1.89%
3	Foreign National	DIRK K LOSS 1801, Wyoming Ave NW, Apt 2, Washington DC.	15,000			648,150	0.28%
4	Foreign National	JUTTA U . KERN 3524 International CT, NW, Washington DC	5,000			216,050	0.09%
5	Foreign National	NIKOLAUS A. KOSTER 5705, 16th Street Arlington, VA 22205	3,000			129,630	0.06%
6	Foreign National	BRUCE RICH 1909, New Hampshire Ave NW Washington, DC 20009	30,000			1,296,300	0.57%
7	Foreign National	ROBERT M . GREENFIELD 106, River Drive, Annapolis, MD, 21403	10,000			432,100	0.19%
8	Foreign National	Simeon F Wooten III 196, West Lake Drive, Arlington, MD 21403	20,000			864,200	0.38%
9	Foreign National	SOREN HAFFER 1615 Q ST. NW, APT.309 Washington DC 20009	2,000			86,420	0.04%
10	Foreign National	Bjorn D Fischer 5603, Signet LN, Riverdale, MD 20737-3513	60,000			2,592,600	1.14%
11	Foreign National	DAVID FUTERS 6, Victoria Terrace, New Biggin BY THE SEA, UK.			1,500	116865	0.05%
12	Foreign National	Norbert Kruschwitz Berlin, Germany		50,000		2682500	1.18%
13	Foreign National	Michael Krause Berlin, Germany		50,000		2682500	1.18%
14	Foreign National	Horst Feuertsein Frankfurt, Germany		50,000		2682500	1.18%
15	NRI	Vijay Penta Reddy USA	50,000			2,160,500	0.95%

S. NO	Status of the Investor	NAME & ADDRESS	USD	EURO	Pounds	Rupees	Post Issue holding
16	NRI	Nagaraju Adusumilli Kentucky, USA	50,000			2,160,500	0.95%
17	NRI	Sridhar Balisetty Washington DC, USA	50,000			2,160,500	0.95%
18	NRI	Paresh Shah California, USA	100,000			4,321,000	1.89%
19	NRI	Bery Vishnu Atlanta, USA	50,000			2,160,500	0.95%
20	NRI	Ravi Bachala Chatanugoo, Atlanta, USA	30,000			1,296,300	0.57%
		Total in GBP			1,500		
		Total in US \$	778,000				
		Total in EURO's		150,000			
	Coverision rate		US \$	43.21			
			Euros	53.65			
			Pounds	77.91			

We confirm that these applicants fall under the category of Foreign Nationals and NRIs and are not covered under FIIs and OCBs.

We confirm that applications from all these Foreign National would be treated on par with all applications received under the reserved category of NRIs, Foreign Nationals and FIIs and the allotment would done on a competitive basis. The reservation will be 28.90% of the Public Issue and after allotment the reserved category will form 17.54% of the post issue capital of the Company.

Applications cannot be made by

- Minors
- Overseas Corporate Bodies (OCBs) (OCBs may apply subject to specific permission from RBI)
- Partnership firms or their nominees

Subscription by NRIs/ FIIs

The Company has made an application to the RBI for the Issue of Equity Shares to NRIs/FIIs with repatriation benefits. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose.

The allotment of the Equity Shares to Non-Residents shall be subject to the FIPB/ RBI approval or any other requisite permission as may be necessary.

A. GENERAL INSTRUCTIONS

- Applications must be made in the prescribed application form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the application form and are liable to be rejected if not so made.
- The application for Equity Shares should be for a minimum of 500 Equity Shares and in multiples of 500 shares thereafter. An applicant can make an application only for a maximum number of Equity Shares that are offered in the respective category.
- Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

4. Bank Account and Depository Details of Applicant:

The name of the Applicant's Bank, type of account and account number, Depository Participant's name, Depository Participant's Identification (DP ID), and the beneficiary number provided by the Depository Participant must be filled in the Application Form. This is required for the applicants' own safety and these details will be printed on the refund orders, if any. Applications without these details would be treated as incomplete and are liable to be rejected.

5. Applications under Power of Attorney:

In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

6. PAN/ GIR Number

Where an application is for a total value of Rs. 50,000/- or more, the applicant or in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

7. Joint Applications in the case of individuals

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

9. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications.

A separate single cheque/draft must accompany each application form.

10. Stockinvest

Investors will not have the facility of applying through stockinvest instrument, as RBI has withdrawn the Stockinvest Schemes vide Notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated 5th November 2003.

11. Investment Limits for Mutual Funds / Venture Capital Funds

No Mutual Fund scheme shall invest more than 10% of its Net Asset Value in the Equity Shares or Equity related instruments of any company provided that the limit of 10% shall not be applicable for Investments in Index Funds or sector or Industry specific Fund. No Mutual fund should own more than 10% of any Company's paid up capital carrying voting rights.

The SEBI (Venture Capital) Regulations 1996 and the SEBI (Foreign Venture Capital) Regulations 2000 prescribe Investment restriction on Venture Capital Fund and Foreign Venture Capital Investors registered with SEBI, Accordingly holding by any Venture Capital Fund and Foreign Venture Capital Investor should not exceed 25% of the corpus of Venture Capital Fund and Foreign Venture Capital Investor. Equity Shares allotted to Venture Capital Funds and Foreign Venture Capital Investor through this Issue shall be locked in for a period of 1 year.

Note:

- Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
- Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.
- For further instructions, please read the Application Form carefully.

B. PAYMENT INSTRUCTIONS (For Resident investors)

1. Payment may be made by way of cash or cheque/ demand draft/ (money/ postal orders will not be accepted) drawn on any Bank, including a co-operative Bank which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the application form is submitted, i.e. at designated collection centers.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form should be marked as follows: Cheque/ bank draft must be made payable to the bankers to the Issue and marked "A/c SBT – Public Issue" and crossed "A/C payee only". For e.g. "HDFC Bank – A/c SBT – Public Issue"
4. The applications shall be made only by way of cash/ cheque/ demand draft. However, if the amount payable on application is Rs. 20,000/- or more, such payment must be effected only by way of an account payee cheque/ or Bank draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

PAYMENT INSTRUCTIONS (For NRIs/FIIs on a repatriable basis)**Application made by NRIs**

1. Application should be made only
 - i. in the prescribed Application Form (Blue Colour) by Non- Resident Indians on a repatriable basis.
 - ii. in the names of individuals, societies and by Non- Resident individuals of Indian nationality/ origin and NOT in the names of minors, firms, partnerships, foreign nationals or their nominees. A certificate in the prescribed form OAC/ OAC-1 issued by Overseas Auditor/ Chartered Accountant/ Certified Public Accountant must accompany applications by societies.
 - iii. with remittances from abroad for the amount payable on application per share through approved banking channels or out of funds held in Non-Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts maintained with banks authorised to deal in foreign exchange in India, along with the certificate from the bank issuing the draft confirming that the draft has been issued by debit to NRE / FCNR account.
2. Applications for the NRI category can be obtained from the Registered Office of the Company.
3. The allotment of equity shares to NRIs shall be subject to RBI approval or any other requisite authority as may be necessary under the existing Exchange Control Regulation. The sale proceeds of such investment in equity shares by NRIs will be allowed to be repatriated along with the income thereon, subject to instructions from RBI then in force and subject to Indian Tax Laws, provided that the investments are made by inward remittance from abroad through approved banking channels or out of funds held in NRE / FCNR accounts maintained with a bank in India.
4. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.

5. Applications in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian public.
6. All cheques / bank drafts accompanying the Application Form must be made payable to the Bankers to the Issue with whom the Application Forms are lodged and be marked "SBT - Public Issue - NRI" and crossed "Account Payee only".

FOR FURTHER INSTRUCTIONS REGARDING APPLICATIONS FOR THE EQUITY SHARES, INVESTORS ARE REQUESTED TO READ THE APPLICATION FORM CAREFULLY.

SUBMISSION OF COMPLETED APPLICATION FORMS:

All applications duly completed and accompanied by cash/ cheques/ demand drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should NOT be sent to the Office of the Company, the Lead Managers to the Issue.

Application Forms along with Bank Drafts payable at Hyderabad can also be sent by registered post with acknowledgement due to the Registrars to the Issue, Aarthi Consultants Pvt. Ltd. so that the same can be received before the closure of the subscription list.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrars as detailed above and not otherwise.

For further instructions, please read the application form carefully.

ACCEPTANCE OF APPLICATIONS

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post to the applicant. If the application is accepted in part, the excess application money after adjusting for the amount payable on allotment will be refunded to the applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected among others on the following technical grounds:

- 1) Amount paid does not tally with the number of Equity Shares applied for;
- 2) Age of first applicant is not given;
- 3) Application by minor;
- 4) PAN or GIR number not given if application is for Rs. 50,000/- or more;
- 5) Application for Equity Shares which are not in multiples of 500;
- 6) Multiple applications;
- 7) In case of application under Power of Attorney or by limited companies, corporates, trust etc., relevant documents are not submitted;
- 8) Signature of the sole and/or joint applicants missing
- 9) Applicants depository account details not provided;
- 10) Applications by OCBs.

DESPATCH OF REFUND ORDERS

SBT shall ensure dispatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. SBT would also make available adequate funds to the Registrars to the Issue for this purpose.

EQUITY SHARE IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Share of the Company can be held in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

Successful allottees in this Issue will be compulsorily allotted Equity Shares in dematerialised form. In this context, two tripartite Agreements have been signed between the Company, the Registrar and the Depositories:

1. an Agreement dated August 19, 2004 between the Company, NSDL and Aarthi Consultants Private Limited; and
2. an Agreement dated June 15, 2004 between the Company, CDSL and Aarthi Consultants Private Limited.

All investors can seek allotment only in dematerialised mode. However an investor will have an option to hold the shares in Physical form or demat form. After the allotment in the proposed Issue allottees may request their respective DP for rematerialization of shares if they wish to hold shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the application form.
3. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP)
4. Names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository
5. The Registrar to this Issue will directly send non-transferable allotment letters/ refund orders to the applicant.
6. If incomplete/ incorrect details are given under the heading 'Request for shares in electronic form' in the application form, it is liable to be rejected.
7. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her Depository Participant.
8. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity shares of the Company would be in dematerialised form only for all investors.

Disposal of Application and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The Company shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500/-, 'Under Certificate of Posting', and dispatch of refund orders above Rs. 1,500/-, if any, by Registered Post or Speed Post at the sole or First applicants sole risk.

The Company shall use its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

Southern Online Bio Technologies Limited shall ensure dispatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. Southern Online Bio Technologies Limited would also make available adequate funds to the Registrars to the Issue for this purpose.

Refunds will be made by cheques, pay orders or demand drafts drawn the refund bank and payable at par at places where applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No.F-8/6/SE/79 dated July 21, 1983 and as amended vide their letter No. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/JJ/1819/96 dated 15th May 1996.

BASIS OF ALLOTMENT:

In the event of the Present Public Issue portion of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis finalised in accordance with the SEBI Guidelines and in consultation with BSE. The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the following guidelines:

Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 500 equity shares and thereafter rounded off to the nearest integer.

Reservation for Retail Individual Investor

The above proportionate allotments of Equity Shares in the “net offer to the public” shall be subject to the reservation for Retail individual investors as described below:

- a) A minimum 50% of the net offer to the public shall initially be made available for allotment to retail individual investors, as the case may be.
- b) The balance net offer to the public shall be made available for allotment to:
 - i) individual applicants other than retail individual investors, and;
 - ii) other investors including Corporate bodies/ institutions, etc. irrespective of the number of shares applied for.
- c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of BSE.

Illustration

Net offer to the Public @ Rs. 10 per share	7,072,732 shares
Shares on offer for retail category	3,536,381 shares
Say, total issue is oversubscribed by 5 times, retail category is oversubscribed by 9 times	
Minimum application size	500 shares

Application can be made for a minimum of 500 shares and in multiples of 500 shares thereafter

Assume that retail investors A, B and C have applied for 500, 5,000 and 6,500 shares respectively. As per the allotment procedure:

Allotment to Retail individual investors would be on a proportionate basis, i.e. 1/10th of the total number of shares applied for. The actual allotment shall be as follows:

S. No.	Name	Total shares applied	Proportion	No. of shares to be allotted	Basis
1	A	500	$500/9 = 55.55$	500 shares to successful applicants who would be determined by a drawal of lots.	Minimum application size
2	B	5,000	$5,000/9 = 555.55$	556 shares	Rounded off to nearest integer above 500 shares
3	C	6,500	$6,500/9 = 722.22$	722 shares	Rounded off to nearest integer above 500 shares

DESPATCH OF REFUND ORDERS

Southern Online Bio Technologies Limited shall ensure dispatch of refund orders of value up to Rs.1500/- by ‘Under Certificate of Posting’ and refund orders over the value of Rs.1500/- by Registered Post only. Southern Online Bio Technologies Limited would make available adequate funds to the Registrars to the Issue for this purpose.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:

“The Company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.”

UNDERTAKING BY THE COMPANY:

SBT undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment.
- c. that the funds required for dispatch of refund orders by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that refund orders to non-resident Indian applicants shall be dispatched within specified time.
- e. that no further Issue of equity shares shall be made till the equity shares offered through this Offer document are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a. all monies received out of this Issue of shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b. details of all monies utilized out of the Issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c. details of all unutilized monies out of the Issue of shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

The Authorized Capital of Southern Online Bio Technologies Limited is Rs. 25 crores divided into 2,50,00,000 Equity Shares of Rs. 10/- each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

TRANSFER AND TRANSMISSION

Certain provisions of the Act to be complied with in registering transfer and transmission of shares

15. In registering a transmission of Shares, the Company shall comply with the provisions of the Act or any statutory modification thereof.

Who is to execute transfer of shares!

16. a) The instrument of transfer of any Share in the Company shall be executed by or on behalf of both the transferor and transferee. The transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the Register of Members in respect thereof.

Instrument of transfer

- b) l) The instrument of transfer shall be in writing and all provisions of Section 108 of the Company Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of Shares and registration thereof.

No fee on transfer or transmission

No fee shall be charged for registration of transfer, transmission probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

Directors may refuse to register transfer

- c) Subject to the provisions of Section III of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of Shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that Registration of Transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account what so ever except when the Company has a lien on the Shares. Transfer of Shares/debentures in whatever lot shall not be refused.

Transmission of shares title of legal representative on death of holder

17. a) i) On the death of a member, the survivors or survivor where the member was a joint holder, and his legal representatives where he was sole holder shall be the only person recognised by the Company as having any title to his interest in the Shares.

Liability in respect of the estate of the deceased joint-holder

- ii) Nothing in clause (I) shall release the estate of the deceased joint-holder from any liability in respect of any Share which had been jointly held by him or other persons.

Rights of person entitled to shares on death or insolvency of shareholder

- b) i) Any person becoming entitled to a Share in consequence of the death or insolvency of a member, may upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:
- i) to be registered himself as holder of the Share, or ,
- ii) to make such transfer of the Share at the deceased or insolvent member could have made.

Boards right to decline or suspend registration in cases of transfer by legal representative

The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member has transferred the Share before his death or insolvency.

Conditions to be fulfilled by such a person electing to be shareholder or to transfer shares

- c) i) If the person so becoming entitled shall elect, to be registered as holder of the Share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

Procedure in electing to transfer shares

- ii) If the person aforesaid shall elect to transfer the Share he shall testify his election by executing a transfer of the Share.

Extent or applicability of regulation 16 to transfer of share effected by legal representative

- iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfer of Share shall be applicable to any such notice or transfer of Share shall be applicable to

any such notice or transfer as aforesaid as if the death or insolvency of the member has not occurred and the notice or transfer signed by that member.

Dividend and voting power of persons entitled to a share on death or insolvency of a member

- d) A person becoming entitled to a share by reason of death, insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share except that he shall not, before being registered as a member in respect of it be entitled to exercise any right conferred by memberships in relation to meetings of the Company.

Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys, payable in respect of the Share until the requirements of the notice have been complied with.

VARIATION OF SHAREHOLDERS RIGHTS

Application of rights to any class of shares how effected

- a) If at any time the Share Capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of Issue of the Shares of that class) may be subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound-up, be varied with consent in writing of the holders of three-fourths of the issued Shares of that class of with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class.

Provisions relating to General Meetings how far applicable to Meetings of different class of share holders. Conditions under which rights conferred upon holders of shares of any class be varied by creation or by Issue of shares.

- b) Subject to the provisions of Section 170 (2) (a) and (b) of the Act or any statutory modifications thereof, to every such separate General Meeting, the provisions of these Regulations relating to General Meetings shall mutatis mutandis apply so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued Shares of the class in question.

CERTIFICATES

Limitation of time for Issue of certificates

11. a) Every member shall be entitled, without payment, to one or more Certificates in marketable lots, for all the Shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such Shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of Issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every Certificate of Shares shall be under the seal of the Company and shall specify the numbers and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the Directors may prescribe or approve, provided that in respect of a Share of Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holder.

Issue of new certificate in place of one defaced, lost or destroyed

- (b) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, and a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for Issue of new certificates in replacement of those which are old, decrepit or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

CALLS

Call and Revision thereon

12. a) (i) The Board may, from time to time make calls upon the members in respect of any monies unpaid on their Shares (whether on account of the nominal value of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.

Provided that no call shall exceed one half of the nominal value of the Shares.

Notice of call

- ii) Each member shall, subject to receiving at least thirty days notice specifying the time or times and place of payment pay to the Company at the time or times and place so specified the amount called on his Shares.

Revocation and postponement of call

- iii) A call may be revoked or postponed at the discretion of the Board.

When call deemed to be made

- b) A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed any may be required to be paid-up by installments.

Liability of Joint-holders

- c) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
- d) (i) If a sum called in respect of a Share is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment of 1 2% (Twelve per cent) per annum or at such a lower rate, if any, as the Board may determine.

Power of the Board to waive payment of interest

- ii) The Board shall be at liberty to waive payment of such interest wholly or in part;
- (e) Any sum which by the terms of Issue of a Share becomes- payable on allotment or at any fixed date, whether on, account of the nominal value of the share or by way of premium, shall for the purpose of these regulation, be deemed to be a call duly made and payable on the date on which by the terms of Issue such sum becomes payable, provided, however, notwithstanding anything in the provision Article 12 (a) (i) above, such sum may exceed one half of the nominal value of the Share.

Effect of non-payment

- ii) In case of non-payment of such sum, all the relevant provisions of these regulations, as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sums had become payable by virtue of a call duly made
- f) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same, whole or any part of the moneys due upon the Shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, Interest payable on call if not paid in time or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

FORFEITURE OF SHARES**Registered unpaid call**

- 14. (a) If a member falls to pay a call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such member requiring payment of so much of the call or installments as is unpaid, together with any interest which may have accrued.
- (b) The notice aforesaid shall:

Date of Payment

- (I) Name a further day (not being earlier than expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

Effect of non-payment

- (ii) State that, in the event of non-payment on or before the day so named, the Shares in respect c' which the call was made, will be liable to be forfeited.

Forfeiture of shares

- (c) If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given, may, at any time, thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Disposal of forfeited shares

- (d) (I) A forfeited Share may be sold or otherwise disposed off on such terms and in such manner as the Board thinks fit.

Powers to cancel forfeiture

- (ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

Liability of forfeiture

(e) (i) A person whose Shares have been forfeited shall cease

to be a member in respect of the forfeited Shares, but shall notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture, were, presently payable by him to the Company in respect of the Shares.

Liability when ceases

ii) The liability such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the Shares.

Declaration of forfeiture of shares to be conclusive evidence

(f) i) A duly verified declaration in writing that the declarant is a

Director, the Manager or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Company to transfer shares on disposal

ii) The Company may receive the consideration, if any for the share on any sale or disposal thereof and may execute a transfer of the Share in favour of the person to whom the share is sold or disposed of.

Transferee to be Shareholder

iii) The Transferee shall thereupon be registered as the holder of the Share

Transferee's title unaffected

The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

Application of forfeiture provisions to sum payable otherwise than on calls

g) The provisions of these regulation as to forfeiture shall apply in the case of non-payment of any sum which by the terms of Issue of a Share, become payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Effect of Forfeiture

h) The forfeiture of Share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the Share, and all other rights incidental to the Share except only such of those rights as by these Articles are expressly saved.

GENERAL MEETING

20. a) All General Meeting other than the Annual General Meeting of the Company shall be called Extraordinary General Meetings.

Who may call Extraordinary General Meeting

b) The Board may, whenever it thinks fit, call an Extraordinary 'General Meeting.

c) If at any time there are not within India Directors capable of acting, who are sufficient in number to form a quorum, any Director or any two members of the Company may call an Extraordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.

Extraordinary General Meeting by Members

d) Extraordinary General meeting may be called by the members under the provisions of Section 169 of the Act, and under conditions mentioned therein.

LIEN

Company's Lien on Shares/Debentures

13. a) The Company shall have a first and paramount lien upon all the Shares / debentures (other than fully paid-up Shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares / debentures and no equitable interest in any Share shall be created except upon the footing and conditions that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared, to respect of such Shares/debentures. Unless otherwise agreed the registration of a transfer of Shares/debentures shall operate as a waiver of the Company's lien if any, on such Shares/debentures. The directors may at any time declare any Shares/debentures wholly or in part to be exempt from the provisions of this clause.

Power of sale of shares on which there is a lien

b) The Company may sell, in such manner, as the Board may thinks fit, any Shares on which the Company has a lien: Provided that no sale shall be made :

Unless the sum in respect of which the lien exists is presently payable ; or

Period after which the sale to be effective in the case of registered holders

- ii) Unless the expiration of fourteen days after a notice in writing seating and demanding payment of such a part of the amount in respect of which the lien exists as is presently payable has been given to the registered holders for the time being of the Share or the person entitled at there to by reason of his death or insolvency.

Transfer of shares subject to lien

- c) To give effect to any such sale, the Board may authorize some person to transfer the Shares sold to the purchaser thereof.

Purchaser to be registered as share holder

- ii) The purchaser shall be registered as the Shareholder of the Shares comprised in any such transfer.

Purchaser's title unaffected

- iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by irregularity or invalidity in the proceedings in reference to the sale.

d) Application of proceeds of Sale

- (i) The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

Excess of sale proceeds to be paid as shareholders

- ii) The residue, if any, subject to a like lien for sums not presently payable as existed upon the Shares before the sale, be paid to the person entitled to the Shares at the date of the sale.

Restriction on excise of voting Right of members who have not paid calls etc

- e) No member shall exercise any voting right in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised any right of lien.

BORROWING POWERS**18. Borrowing powers and limitations thereof**

- a) The Directors may, from time to time, at their discretion, by means of a resolution passed at their meeting borrow, or secure the payment of any sum or sums of money for the purpose of the Company, provided that the Directors shall not contravene the provisions of the Act.

Provided further that no debt incurred or security given in the excess of limit imposed- by the Act shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed has been or was hereby exceeded.

Conditions and manner in which money may be borrowed

- b) The Director may raise, or secure the repayment of, any sum or sums in such manner and upon such terms and conditions in all respects as they may think fit and in particular by creation of any mortgage or charge on the whole or any part of the property of the Company, present or future, or on the uncalled Capital of the Company or by the Issue of bonds, debentures or debenture-stock of the Company, perpetual or re-deemable, charged upon all or any part of the property of the Company, both present and future, including its uncalled Capital for the time being.

Deposits

- c) Subject to the provisions of the Act and Companies (Acceptance of Deposit) Rules, 1975 the Directors may receive deposits on such terms and bearing interest at such rates as the Directors may decide from time to time. The deposits may be received from any person or persons including the Directors and the Shareholders of the Company.

Register of charges

- d) The Directors shall cause a proper register to be kept in accordance with the provisions of the Act or charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The register of charges kept in pursuance of the Act shall be open during business hours, subject to reasonable restrictions as the Company in General Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor or member of the Company without fee and to any other person on payment of a fee of Rs. 1/- for each inspection at the Registered Office of the Company.

DIVIDENDS AND RESERVE**Declaration of Dividends**

- 65. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

Payment of interim Dividends

- 66. The Board may, from time to time, pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

Reserve

67. a) The Company shall transfer to a reserve such percentage of profits for the year as prescribed under Companies (Transfer of Profits to Reserve) Rules, 1975 as amended from time to time.

Power to carry forward profits

- b) The Board may also carry forward any profits which it may think prudent not to divide.

Dividends only from profits

- c) Subject to the rights of the persons, if any entitled to share with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the Shares in the Company, dividends may be declared and paid according to the amounts of Shares.

Amounts paid in Advance of Calls

- d) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this regulation as paid on the Shares.

Distribution of Dividends

- e) All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid but if any Share is issued on terms providing that it shall rank for dividend as from a particular date, such Share shall rank for dividend accordingly.

Deduction from Dividends

68. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

Mode of payment of Dividend of Bonus

- a) Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus and Board shall give effect to the resolution of the meeting subject to the provision of the Act.

Power of the Board to Distribute Dividend

- b) Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

Payments by warrant

- c) Any dividend interest or other moneys payable in cash in respect of Shares may be paid by cheque or Warrant sent through the post directed to the registered address of the holder or, in the case of joint-holders, to the registered address of that one of the joint-holders who is first named on the register of members, or to such person and to such address as the holder or joint-holders may in writing direct.
Warrant payable to whom
- d) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Receipts for dividends etc, in cases of joint holders

- e) Any one of the two or more joint-holders of a Share may give effectual receipts for any dividends, bonuses or other moneys Payable in respect of such Share.

Notice of Dividends

- f) Notice of any dividend that may have been declared shall be given to the persons entitled to Share therein, in the manner mentioned in the Act.

No interest on Dividends

- g) No dividend shall bear interest against the Company,

Dividends and call together set-off allowed

70. Any annual General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend, if so arranged between the Company and the member, be set-off against the call. The making of a call under this clause shall be deemed ordinary business of the Annual General Meeting which declares a dividend.

Dividend to be paid to Members only

71. No dividend should be paid in respect of any Share except to the members registered in respect of such Share or to his order. A transfer of Share shall not pass the right to dividend declared thereon before the registration of the transfer by the Company.

Unpaid or unclaimed Dividend

72. Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any share holder entitled to the payment of the dividend, the Company shall within 7days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of SOUTHERN ONLINE SERVICES LIMITED" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the General Revenue Account of the Central Government. A claim to any money so transferred to the General Revenue Account may be preferred, to the Central Government by the shareholders to whom the money is due. No unclaimed, unpaid dividend shall be forfeited by the Board.

ALTERATION OF SHARE CAPITAL

(1) The Company shall have power to alter the conditions of the Memorandum as follows, that is to say, it may:

Increase of share capital

Increase its Share Capital by such amount as it thinks expedient by issuing new Shares:

Consolidation and division of shares

Consolidate and divide all or any of its Share Capital into Shares of larger amount than its existing Shares:

SUB-DIVISION OF SHARES

Sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Shares is derived.

Cancellation Of Shares

Cancel Shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its Share Capital by the amount of the Shares so cancelled provided however the cancellation of shares in pursuance of the exercise of this power shall not be deemed to be a reduction of Share Capital within the meaning of the Act.

Above powers to be exercised in General Meeting

(2) The powers conferred by this regulation shall be exercised by the Company in General Meeting and shall not require to be confirmed by the Court.

The Company shall have power:

Reduction of share premium account or share capital

(a) To reduce any Share premium account or its Share Capital in accordance with the provisions of Section 78 read with section 100 of the Act.

Reduction of capital redemption accordance reserve account

(b) To reduce any Capital redemption reserve account in with section 80 read with section 100 of the Act.

PAYMENT OF COMMISSION AND BROKERAGE

Disclosure of the rate of commission

8. a) The Company may exercise the powers of paying commission provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by Section 76 of the Act.

Maximum rate of Commission

The rate of commission shall not exceed the maximum percentage provided for in Section 76 of the Act.

Commission how paid

The Commission may be satisfied by payment of cash or by the allotment of fully or partly paid-up Shares or partly in one way and partly in the other.

Power to pay Brokerage

The Company may also, on any Issue of Shares and debentures pay such brokerage as may be lawful and reasonable as per the provisions of the Act.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by Southern Online Bio Technologies Limited which are or may be deemed material contracts have been attached to the copy of this Offer document delivered to the Registrar of Companies, Andhra Pradesh, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of Southern Online Bio Technologies Limited at 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad – 500 004 between 11.00 a.m. to 3.00 p.m. on any working day from the date of the Offer document to until the date of closing of the issue.

i. MATERIAL CONTRACTS

1. Memorandum of Understanding dated August 2, 2004 with UTI Securities Limited, appointing them as Lead Managers to the Issue.
2. Memorandum of Understanding dated October 14, 2004 signed with Aarthi Consultants Private Limited, appointing them as Registrar to the Issue.
3. Underwriting agreements dated August 18, 2005.
4. Tripartite Agreement dated August 19, 2004 between the Company, Aarthi Consultants Private Limited and NSDL.
5. Tripartite Agreement dated June 15, 2004 between the Company, Aarthi Consultants Private Limited and CDSL.
6. Copy of Lease Deed dated October 10, 2000 between the Company and Mr. P V L Narasimha Raju for office premises of the Company.
7. Copy of Sale Deed dated September 13, 2004 between the Company and Mr. V Vijay Govardhan Reddy, Mr. V Pradeep Reddy and Mr. V Dinesh Reddy for purchase of 12 acres Land at Samsthan Narayanpur, Nalgonda district for establishing proposed Bio Diesel production unit.
8. License Agreement no. 820-75/98-LR dated December 10, 1998 with the Government of India, Ministry of Communications and Information Technology, Department of Telecommunications and the Telecom Commission and License Agreement no. 820-75/2002/LR dated June 4, 2002 for providing VOIP services.

ii. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Southern Online Bio Technologies Limited.
2. Certificate of Incorporation of the Company dated November 9, 1998 and fresh Certificate of Incorporation dated March 31, 2004 consequent to the change of name.
3. Resolution passed under Section 81(1A) of the Act, at the AGM of the Company held on June 9, 2004.
4. Resolution Passed by the Board of Directors at their meeting held on May 13, 2004 and April 23, 2005 for the proposed Public Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrars to the Issue, Bankers to the Issue, Bankers to the Company, Underwriters to the Issue and Legal Advisor to the Company to act in their respective capacities.
6. Tax Benefit Certificate dated July 1, 2005 from M/s. P. Murali & Co., Auditors of the Company.
7. Auditor's report dated July 1, 2005 included in the Offer document and copies of the Balance Sheet referred in the said report.
8. Copy of the Auditors Certificate dated July 26, 2005 regarding the Sources and Deployment of Funds as on July 26, 2005.
9. Copies of Initial Listing Applications dated April 28, 2005, made to BSE, HSE and BgSE.
10. Copies of in-principal approvals dated May 26, 2005, May 17, 2005 and May 26, 2005 from BSE, HSE & BgSE.
11. Copies of the Resolutions appointing Mr. N Satish Kumar as Managing Director, Mr. B H R Balaji as Executive Director and Mr. K Radha Krishna as Director-Finance and Mr. B Sreedhara Reddy as Director – Administration and Mr. K. Tejesh Kumar and Mr. K.Venketeshwara Rao as Director – International Affairs.
12. Copies of Power of Attorneys in favour of Mr. N Satish Kumar & Mr. K Radha Krishna from all the Directors of the Company to sign the offer document on their behalf.
13. Letters from RBI ref FED.HY.FID/2913/14.29.01/2004-05 dated March 15, 2005, ref. FED.HY.FID/3883/14.29.01/2004-05 dated June 25,2005 and letters from Government of India, Ministry of Commerce & Industry (Deptt. of Industrial Policy & Promotion) Udyog Bhavan, New Delhi dated July 6, 2005 and July 11, 2005 regarding permission for investment in the issue by Foreign Nationals.
14. SEBI Acknowledgement Card dated June 21, 2005.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Offer document is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

We, the directors of Southern Online Bio Technologies Limited, hereby declare and confirm that no information/material likely to have a bearing on the decision of the investors in respect of the Equity Shares issued in terms of the Offer document has been suppressed/withheld and/or incorporated in the manner that would amount to misstatement/misrepresentation. We further certify that all statements in this Offer document are true and correct.

SIGNED BY THE DIRECTORS

N. SATISH KUMAR

Y. ANAND SWAROOP

K. RADHA KRISHNA

EMMANUEL H. D'SILVA

B. SREEDHARA REDDY

B. SURESH

B. H. R. BALAJI

G. GOVARDHANA NAIDU

K. TEJESH KUMAR

T. ROHINI REDDY

K. VENKATESHWARA RAO

V. DURGA PRASAD

Place: Hyderabad

Date: August 18, 2005.