

TWELFTH ANNUAL REPORT 2002



SHIMOGA TECHNOLOGIES LIMITED



SHIMOGA TECHNOLOGIES LIMITED

BOARD OF DIRECTORS

S. SURESH, *Chairman & Managing Director*
SHAILAJA SURESH, *Director*

COMPANY SECRETARY

G. ARAVIND

AUDITORS

M/S.RAMRAJ & CO.,
Chartered Accountants
No.17, 59th Cross, V Block,
Rajajingar
Bangalore - 560 010
Ph : 080-3380527

BANKERS

BANK OF INDIA
Corporate Banking Branch
Bangalore - 560 025

REGISTERED OFFICE

S-920, Manipal Centre
Dickenson Road, Bangalore

WORKS

Plot No. 12 & 13
Industrial Estate
Sagar Road
Shimoga - 577 204



SHIMOGA TECHNOLOGIES LIMITED

A DECADE AT GLANCE

FINANCIAL POSITION

Particulars	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Share Capital	434.75	432	432	432	432	432	432	432	432	432
Reserves	4.48	15.28	21.14	0	0	0	0	0	0	0
Secured Loans	66.94	123.22	292.78	414.74	455.01	505.93	552.76	618.36	743.98	871.52
Unsecured Loans	163.06	23.35	0.3	0.98	0.52	18.16	13.26	9.3	7.63	0
Current Liabilities	96.48	22.55	52.07	17.36	25.96	22.47	28.48	24.77	46.71	210.47
TOTAL	765.71	616.4	798.29	865.08	913.49	978.56	1026.5	1084.43	1230.32	1513.99
Gross Block	73.69	212.82	280.61	298.93	429.26	532.38	542.94	561.2	580.37	582.85
Capital Work in Progress	140.26	88.92	142.91	236.36	141.57	167.62	154.71	114.7	186.46	9.1
Depreciation	3.85	9.41	24.08	36.43	52.68	83.47	115.65	55.84	0	37.95
Net Block	210.1	292.34	399.44	498.87	518.15	616.53	581.99	502.34	395.91	360.43
Current Assets	490.79	254.05	330.7	290.63	330.07	267.14	317.71	340.32	278.11	345.08
Miscellaneous Expenditure	64.82	70.01	68.15	56.88	52.17	43.65	35.13	35.13	18.09	10.07
Accumulated Losses	0	0	0	18.7	13.1	51.24	91.67	206.64	538.21	798.39
TOTAL	765.71	616.4	798.29	865.08	913.49	978.56	1026.5	1084.43	1230.32	1513.97
Net Worth	374.41	377.27	384.99	356.42	366.73	337.11	305.2	190.23	-124.3	-376.46
Net worth per rupee of share	0.86	0.87	0.89	0.83	0.85	0.78	0.71	0.44	-0.29	-0.87
Capital Employed	604.41	523.84	678.07	772.14	822.26	861.2	871.22	817.89	627.31	495.06
Debt-Equity Ratio	0.2	0.3	0.7	1	1.1	1.2	1.3	1.4	1.7	2

FINANCIAL PERFORMANCE

Sales	334.03	411.51	674.13	321.68	433	415.87	506.56	431.74	350.87	446.17
Other Income	1.44	5.66	3.76	1.91	5.7	23.54	1.39	0.92	5.04	0.12
Increase/Decrease in Stocks	35.58	39.27	-10.33	18.62	9.88	5.87	-1.66	-47.8	-0.46	12.7
Total Income	371.35	456.44	667.56	342.21	448.58	445.28	506.29	384.86	355.45	458.99
Manufacturing Expenses	308.69	350.94	504.33	277.91	342.75	317.68	377.62	343.03	316.21	351.69
Administrative Expenses	17.73	41.56	67.99	43.2	37.58	36.6	29.54	54.91	53.44	36.22
Financial Charges	20.46	42.29	60.21	38.6	38.29	88.9	97.83	96.22	128.92	128.64
Miscellaneous Expenditure	0.03	1.68	11.57	7.7	8.11	8.52	8.52	0	51.43	8.01
Depreciation	3.84	5.67	15.87	13.75	16.25	30.79	32.18	0	37.64	37.95
Cash Profit	24.47	21.65	35.03	-17.5	29.96	2.1	1.3	-109.3	-143.12	-57.56
Profit /Loss after Depreciation	20.6	14.3	7.59	-38.95	5.6	-37.21	-39.4	-109.3	-232.19	-103.52
Prior period adjustments	1.24	-1.79	-1.73	-0.9	0	-0.94	-1.02	-5.68	-99.37	1.20
Profit/Loss before taxation	21.84	12.51	5.86	-39.85	5.6	-38.15	-40.42	-114.98	-331.56	-260.17
Tax Provision	7.6	1.7	0	0	0	0	0	0	0	0
Profit after Tax	14.24	10.81	5.86	-39.85	5.6	-38.15	-40.42	-114.98	-331.56	-260.17

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NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of **Shimoga Technologies Limited** will be held on Friday, the 20th June, 2003 at 10.20 A.M. at Century Club, No.1, Seshadri Road, (Cubbon Park) Bangalore-01 to transact the following Business:

ORDINARY BUSINESS:

1. To Receive and adopt the Director's report and audited Profit and Loss Account for the year ended December 31, 2002, and the Balance Sheet as at that date.
2. To appoint a director in place of Sri B.R.Srinivasa Murthy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration by passing the following Resolution as an ordinary resolution:

"Resolved that M/s. Ramraj & Co., Chartered Accountants, Bangalore, be and are Hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting, on a remuneration plus reimbursement of out of pocket expenses incurred by them, as mutually agreed up on by the Board of Directors and the said firm."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"Resolved that the following Clause 2A be and is hereby inserted after Clause 2 Under Part A of Objects Clause of Memorandum of Association of the Company:

Clause 2A:

"To Carry on the business as Manufacturer, Producer, Exporter, Importer, Dealers, Traders, Growers of Agricultural Produce, Horticulture Products, Medicinal and Aromatic Plants, Herbs and Herbal Products, Ayurvedic Products,

Planting, Plantation and Growing of Natural Herbs, Medicinal Plants and Herbal Extraction, formulations, Pharmaceuticals, Phyto Pharma Products, nutraceuticals, bio-pharma, bio-matrix etc., and any other incidental or allied activity thereto."

"Resolved Further that Sri S.Suresh, Managing Director of the Company be and is hereby authorised to file necessary documents in this regard with the Registrar of Companies, Karnataka and to do all such acts as may be necessary and incidental thereto."

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore
Date : 23-05-2003.

S.Suresh
Managing Director

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the Registered office of the company not less than forty eight hours before the commencement of meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is annexed hereto.
3. Share Holders are requested to bring their Copy of Annual Report to the Meeting.
4. Members / Proxies should fill in the Attendance slip for attending the meeting.
5. Members who hold shares in Dematerialized form are requested to write their Client ID and DP numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance slip for attending the meeting.



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6. As per Companies Act, 1956, a Share holder may nominate in the prescribed manner a person to whom his shares in the Company shall vest in the event of death (Form 2B of Companies (Central Govt's) General rules & forms). In the case of Joint holding, Joint holders may together nominate a person to whom shares shall Vest in the event of death of all the Joint Holders. Share Holders are requested to avail the facility.
7. Members are requested to intimate immediately any change in their address to the Registrar and Transfer Agents of the Company.
8. The Company has obtained approval under Sub section (1) of Section 166 of the Companies Act, 1956, from the Registrar of Companies, Karnataka, Bangalore for extension of time for holding the Annual General Meeting of the Company up to 20th June, 2003.
9. Appointment of Directors :

At the ensuing Annual General Meeting, Sri B.R.Srinivasa Murthy retires by rotation and being eligible offers himself for reappointment. Sri B.R.Srinivasa Murthy will be appointed as a director liable to retire by rotation. The information or details to be provided about the aforesaid

Director under Corporate Governance Code are as under:

Sri B.R.Srinivasa Murthy who has rich and varied experience to his credit started his career as a Trainee Engineer and rose to the level of General Manager in Hindustan Aeronautics Limited. He then Joined as General Manager (Marketing) in Bharat Earth Movers Limited and rose to the level of Chairman & Managing Director of that Company. Keeping in view his vast expertise and knowledge, it will be in the interest of the company that Sri B.R.Srinivasa Murthy is appointed as a Director of the company.

Your Directors therefore recommend the resolution for your approval.

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore
Date : 23-05-2003.

S.Suresh
Managing Director

Regd. Office:
S-920, Manipal Centre
Dickenson Road, Bangalore

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No.4 :

Bio-Technology is an emerging and promising field and the Company intends to diversify into this line of activity. Therefore the Company wants to include this activity as one of its objectives. The insertion will help the company to foray in to the business of Biotechnology as and when it gets an opportunity to do so.

Your Directors therefore recommend the resolution for approval.

None of the Directors is interested in the resolution.

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore
Date : 23-05-2003.

S.Suresh
Managing Director

Regd. Office:
S-920, Manipal Centre
Dickenson Road, Bangalore

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report and the Audited Accounts for the year ended 31st December 2002.

FINANCIAL RESULTS:

The Financial performance of the Company during the year is as follows:

(Rs. In Lakhs)

Particulars	2002	2001
Sales	446.17	350.86
Loss Before Depreciation and Financial Charges	86.56	57.12
Financial Charges	128.85	128.92
Loss after Financial Charges	215.41	186.04
Depreciation	37.96	37.64
Miscellaneous Expenditure Written off	8.01	8.52
Loss after Depreciation and Depreciation and Miscellaneous Expenditure Written off	261.38	232.2
Prior period and Extraordinary items	1.2	99.36
Net Loss	260.18	331.56
Loss Brought forward from Previous year	538.21	206.65
Accumulated Loss	798.39	538.21

During the year the sales have increased by nearly 27%. However, the cost of Raw materials, which is a major component of expenses, has increased considerably and had its impact on the Financials of the company. Also, the sale price could not be increased due to stiff competitive market conditions and as a result the Gross profit came down. However, the over all loss has decreased from 331.56 lakhs in the previous year to 260.18 lakhs this year. The management is making every effort to increase the

sales and to improve the overall profitability of the company. The software division of the company has developed various products and the management is putting all possible efforts to market them this year and if it materializes the profitability of the company is likely to improve. Also, since the company is planning to foray in to the Biotechnology business this year, significant results can be expected in the years to come.

DIVIDEND:

Since the company has incurred losses during the year it is unable to declare any dividend for the year under report.

DIRECTORS:

Sri B.R.Srinivasa Murthy retires by rotation and being eligible, offers himself for reappointment at the ensuing meeting.

FIXED DEPOSITS:

The Company has not accepted any fixed deposits during the year under report.

AUDITORS:

M/s Ramraj & co., Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. A Declaration under Section 224(1B) of the Companies Act, 1956, was received from them.

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be furnished under Section 217 (2A) of the Companies Act, 1956.

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Energy:

The particulars of energy conservation in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, are annexed to the Directors Report as Form A.



SHIMOGA TECHNOLOGIES LIMITED

Technology absorption:

There are no items to disclose under this head.

Foreign Exchange Earnings and Outgo:

Your company is not dealing in exports and hence there are no items to be disclosed under this head.

AUDITORS QUALIFICATIONS :

1. Regarding Provision for doubtful debts, we have taken adequate steps to ensure that the debts in respect of which the provision has been made are realized. However, as a matter of prudence, we have made a provision for the same.
2. As far as debts amounting to 71,58,586.33 are concerned, they are not considered to be doubtful as we have received an assurance from those debtors regarding the repayment of those debts.
3. Though confirmation of balances was sought from debtors and creditors, we have not received confirmation from them.
4. Regarding the Gratuity liability, we have been regular in depositing the same with LIC even though there had been a slight delay. We have provided the amount in the books of Accounts and we will be paying the amount at the earliest.
5. The Case pending before debt recovery tribunal is only a contingent liability and hence it is duly disclosed in the Notes to Accounts.
6. No Penalty/Liquidated damages are payable on account of abandoning the Phase-II of the project and hence not provided for in the accounts.
7. As the company is incurring continuous losses there is no deferred tax liability. As regards Deferred Tax Asset, Accounting Standard - 23 stipulates that the Deferred tax asset should be brought in to accounts only if there is a reasonable accuracy that there will be a cash inflow into the company. As there is no reasonable accuracy that there will be benefits in future,

they were not provided in the accounts. Hence, it is to be noted that AS-23 is complied with while preparing the accounts of the company.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- (i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the company as at 31st March, 2002 and of the Profit and loss account for the year ended on that date.
- (iii) they have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. and
- (iv) they have prepared the annual accounts of the company on a going concern basis.

COMPLIANCE CERTIFICATE:

A Compliance certificate from the auditors of the company regarding the compliance of conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.

PERSONNEL:

Relationship with employees were cordial and your directors wish to place on record their appreciation of the dedication, hard work and contribution by the employees of your company at all levels during the year.

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ACKNOWLEDGEMENTS:

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors and shareholders during the year under review. Your directors wish to place on record their deep sense of appreciation for the devoted services of the executives,

staff and workers of the company and look forward to receive similar support in future.

For and on behalf of the Board of Directors

S. SURESH

Chairman and Managing Director

Place: Bangalore

Dated: 23-05-2003.





SHIMOGA TECHNOLOGIES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FORM NO.A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	As on 31.12.2002	As on 31.12.2001
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a. Purchased Unit	557,672	427,721
Total Amount	2,336,039	1,829,956
Rate/Unit	4.19	4.28
b. Own Generation		
i. Through Diesel Oil Cost/Unit	15,371	8,297
Units per litre of Diesel	2.73	2.66
Oil Cost/Unit		
ii. Through steam Turbine		
Generator Units		—
Units per liter of		
Fuel/Oil/Gas Cost/Unit		—
2. Coal (specify Quality & where used)		
Total Cost		—
Average Rate		—
3. Furnace Oil		
Quantity (K.Litre)	342,90KL	271.50KL
Total Amount	3994074	2,385,042
Average Rate	11648/KL	8785/KL
4. Others/internal generation (Please give details)		
Quantity		—
Total Cost		—
Rate/Unit		—

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standard If any	31.12.2002	31.12.2001
Products (with details-Unit Electricity)	—	480 Units/MT	487 Units/MT
Coal (Specify Quality)	—	287 Ltrs/MT	309 Ltrs/MT
Furnace Oil	—		

Place: Bangalore
Date: 23-05-2003

For SHIMOGA TECHNOLOGIES LIMITED

S.Suresh
Chairman & Managing Director

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MANAGEMENT DISCUSSION AND ANALYSIS**Forward-looking Statements:**

The report contains certain forward-looking statements, which are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.

Industry Structure and developments:

During the year under review, the forging industry has undergone several ups and downs and hence the performance of the industry cannot be said to be satisfactory. The raw material costs have been spiralling and hence the margin has gone down. However, the potential overseas market is 6 billion dollars and hence there is much scope for improvement.

Opportunities and Threats:

Shimoga Technologies Limited sees varied opportunities in Biotechnology sector and hence it is going to foray into that Business. As regards forging sector it has a perennial demand and hence the opportunities are a galore. The automobile industry which is the main buyer of Forging Industry's products is on an upsurge and since the forging industries fortunes are linked with the automobile industry we see a better future for the forging industry in general and our company in particular.

As far as threats are concerned no significant threats are perceived in the near future.

Outlook:

The outlook for the industry in general is good for the years to come. Since we are foraying into Biotechnology business, we see a lot of opportunities in the near future. The Revenues generated in Bio-Technology Business will supplement the Existing Income and it is expected that the business will turn profitable.

Internal Control Systems:

Shimoga Technologies has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized recorded and reported correctly. The internal control systems are designed to ensure that the financial statements and other records are reliable, for preparing financial statements and other information, and for maintaining accountability of assets.

Discussion on Financial Performance with respect to Operational Performance:

During the year under review, your company has fared well as far as operational performance is concerned. It has achieved its break even (excluding interest, depreciation and provision for bad debts which are not direct operational costs.) even when the raw material prices have increased considerably. Sales during the year have also increased as compared to previous year by nearly 27%. However, the rise in raw material costs have reduced the gross profit. Also excessive interest payable to financial institutions is one of the main components of indirect expenses and it is one of the main components of net loss.