



**SHIMOGA TECHNOLOGIES LIMITED**

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## SHIMOGA TECHNOLOGIES LIMITED

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### BOARD OF DIRECTORS

S.SURESH

*Chairman & Managing Director*

SHAILAJA SURESH

*Director*

M.S. RANGANATH

*Director*

R.C. SARANGI

*Director (appointed w.e.f. December 12, 2005)*

### COMPANY SECRETARY

N. SRI SAI KUMAR

### AUDITORS

H.R.SUDARSHAN,  
H.R.SUDARSHAN & ASSOCIATES,  
Chartered Accountants,  
No.102, Byrasandra Main Road,  
Jayanagar 1st Block East,  
Bangalore- 560 011.

### BANKERS

BANK OF INDIA  
Corporate Banking Branch  
Bangalore - 560 025

### REGISTRAR AND TRANSFER AGENTS

CAMEO CORPORATE SERVICES LIMITED,  
'Subramanian Building'  
No.1, Club House Road,  
Chennai-600 002

### REGISTERED OFFICE

Lakshmaiah Complex,  
No.9, 12th Cross,  
Ganganagar, Bellary Road,  
Bangalore - 560 024, Karnataka

### WORKS

PLOT NOs. N 12 & 13,  
Industrial Estate,  
Sagar Road,  
Shimoga - 577 204, Karnataka



## SHIMOGA TECHNOLOGIES LIMITED

### NOTICE

Notice is hereby given that **Fifteenth Annual General Meeting of Shimoga Technologies Limited** will be held on Friday, the 29th September, 2006 at 10 A.M at The Century Club, No.1, Seshadri Road (Cubbon Park), Bangalore-560 001 to transact the following Business:

#### ORDINARY BUSINESS:

1. To receive and adopt the audited accounts for the year ended 31st March 2006 and the Report of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. M.S. Ranganath, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Mr. H.R. Sudarshan, Proprietor, M/s.H.R.Sudarshan & Associates, Chartered Accountants, Bangalore, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

#### SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED that Sri. R.C. Sarangi, who was appointed as Additional Director by the Board during the year be and is hereby appointed as Director of the company."

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore

**S.Suresh**

Date : 29-07-2006 *Chairman & Managing Director*

Regd. Office :

Lakshmaiah Complex,  
No.9, 12th Cross,  
Ganganagar, Bellary Road,  
Bangalore - 560 024.

#### NOTES :

1. Register of Members and Share Transfer Books of the company will remain closed from 27.09.2006 to 29.09.2006 (both days inclusive).
2. 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.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, pertaining to special business contained in the Notice is annexed hereto.
4. Share Holders are requested to bring their Copy of the Annual Report along with them to the Meeting since extra copies will not be supplied at the meeting.
5. Members / Proxies should fill the Attendance slip for attending the meeting.
6. 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.
7. As per Companies Act, 1956, a Shareholder 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.
8. Members are requested to intimate immediately any change in their address to the Registrar and Transfer Agents of the Company.

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### 9. Appointment of Directors:

At the ensuing Annual General Meeting, Sri. M S Ranganath retires by rotation and being eligible offers himself for reappointment. Sri. M S Ranganath will be appointed as a Director liable to retire by rotation. The information or details to be provided for the aforesaid Director under Corporate Governance Code are as under:

#### Sri. M S Ranganath:

He is a Fellow Member of the Institute of Chartered Accountants of India and has had rich experience in Finance and vast knowledge in general management. The Board is of opinion that Sri. M.S. Ranganath's appointment to the Board is essential in the present circumstances and will therefore be in the interest of the Company.

Resolution placed before the members for their approval.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(3) OF THE COMPANIES ACT 1956

#### SPECIAL BUSINESS: Item No. 4

The Board of Directors of the company co-opted Sri. R C Sarangi as an Additional Director of the company with effect from 12th December, 2005 as per Section 260 of the Companies Act, 1956. Sri. R C Sarangi holds office until the conclusion of this Annual General Meeting. The Board recommends his appointment as a Director and liable to retire by rotation.

Sri. R C Sarangi is a graduate in Metallurgical Engineering from Benaras Hindu University. He also holds a Master's Degree in International Management from IMI, Geneva. He has served the Indian Aluminium Company, a Rs.1000 Cr. business organization in various capacities for thirtytwo years, and retired from that company as the Chief Executive Officer. He has wide experience in all functional areas of a manufacturing company. The company is bound to be benefited by his association.

The Company has received a notice from a Member of the company as per the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose Sri. R.C. Sarangi as a candidate for appointment as a Director of the company at this Annual General Meeting.

Sri. R.C. Sarangi, is interested in the resolution at item No.4 of the Notice since it relates to his appointment.

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore **S.Suresh**  
Date : 29-07-2006 *Chairman & Managing Director*

Regd. Office :  
Lakshmaiah Complex,  
No.9, 12th Cross,  
Ganganagar, Bellary Road,  
Bangalore - 560 024.





## SHIMOGA TECHNOLOGIES LIMITED

### DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report and the Audited Accounts for the year ended 31st March 2006.

#### FINANCIAL RESULTS:

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

(Rs. In Lakhs)

Particulars	2005-2006	2004-2005
Sales	842.44	856.74
Profit/(Loss) Before Depreciation And Financial Charges	57.27	41.88
Financial Charges	137.11	274.54
Loss after Financial Charges	(79.84)	(232.66)
Depreciation	37.04	38.47
Miscellaneous Expenditure Written off	0.44	1.73
Loss after Depreciation and Miscellaneous Expenditure Written off	(117.32)	(272.86)
Fringe Benefit Tax	0.89	—
Loss for the year	(118.21)	(272.86)
Prior period and Extraordinary Items	2.41	0.47
Excess provision for depreciation in earlier years written back	1.05	—
IDBI Loan and Interest written back	796.04	—
Profit/Loss after write backs	676.47	(273.33)
Loss Brought forward from Previous year	(1481.26)	(1207.93)
Accumulated Loss	(804.79)	(1481.26)

#### PERFORMANCE:

Your Company has recorded a Sales turnover of Rs.842.44 lakhs as against Rs.856.74 lakhs for the previous year. The decrease in turnover is due to change in product mix. During the year, some of the bulky, non remunerative forgings have been replaced with intricate, remunerative forgings. Further, the sale prices could not be increased due to stiff competition from the market.

However, due to One Time Settlement made by the Company with IDBI, the interest burden has reduced from Rs.274.54 lakhs for the previous year to Rs.137.11 lakhs for the current year. Consequently, the overall loss for the year has come down from Rs.272.86 lakhs to Rs. 118.21 lakhs, a steep reduction of Rs.154.65 lakhs.

In this context, Your Directors are happy to inform you that the Company has also entered into a One Time Settlement agreement with Bank of India on the terms and conditions enumerated in the foregoing paragraphs. Your Directors are putting in all out efforts to complete the settlement and bail out the Company from the debt trap.

On the other hand, your Company continues to work diligently in improving productivity, reducing -waste and re-engineering the product mix to improve margins and ensure Financial Turn-around.

#### SHARE CAPITAL:

During the year face value of the shares of the company have been sub-divided from Rs.10/- each to Re.1/- each and presently the shares are traded in denomination of Re.1/- each.

#### REPAYMENT OF IDBI AND BANK OF INDIA LOANS

During the year the company has successfully repaid the loan from IDBI under a One Time Settlement scheme and obtained a No Dues Certificate.

During the current financial year, the company has entered into One Time Settlement scheme with Bank of India for repayment of loan and has already paid the first instalment amount of Rs.58.00 lakhs. The balance amount payable to Bank of India is Rs.160.00 lakhs only.

#### DIVIDEND:

Since the company has incurred losses during the year under review, your Directors regret their inability to recommend dividend for the year ending 31st March, 2006.

#### DIRECTORS:

Sri. M S Ranganth, Director retires by rotation and is eligible for reappointment.

Sri. R C Sarangi was appointed as Additional Director by your Board of Directors on 12th December, 2005. In terms of Section 260 of the Companies Act, 1956, Sri. R C Sarangi holds office until the conclusion of

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the ensuing Annual General Meeting. Notice has been received from a Member proposing Sri. R C Sarangi's name for the office of Director.

The Board recommends the resolution for appointment of Sri. R C Sarangi as Director, as set out in Item 4 of the Notice convening the Annual General Meeting.

### **FIXED DEPOSITS:**

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

### **AUDITORS:**

The Company's Auditors, Sri. H.R. Sudarshan, Proprietor of M/s. H.R. Sudarshan & Associates, Chartered Accountants, Bangalore retire at the conclusion of this ensuing Annual General Meeting and are eligible for re-appointment.

### **PARTICULARS OF EMPLOYEES:**

There are no employees who are in receipt of remuneration in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

### **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 in Form A.

#### **Technology Absorption:**

There are no items to disclose under this head.

#### **Foreign Exchange Earnings and Outgo:**

There are no earnings or outgo in Foreign Exchange during the year under review.

#### **Related Party Disclosures :**

As regards Related Party Disclosures, one of the directors of the Company is related to a director of M/s. Bhagavathi Enterprises Limited, a closely held public company under the Companies Act, 1956. However, there are no common directors and no shareholders holding 2% of the paid up capital of either of the companies. There are no materially significant related party transactions made by the Company with Promoters, Directors or Management etc., that may have potential conflict with the interest of the company at large. However this disclosure is made only as a matter of prudence.

### **De-listing of Securities:**

The de-listing of securities from Bangalore and Madras Stock Exchanges is in process

### **AUDITORS' QUALIFICATIONS :**

Regarding Auditors qualifications, the Directors state as follows:

1. For Item 4 (ii) & 4 (vi) (e) - of Audit Report.

The fixed asset register has been lost in transit from the venue of the AGM for the year-ended 31.03.2003 to the registered office of the company and the register is under the process of reconstruction.

2. For Item 4 (iv) - of Audit Report

The company has calculated the Gratuity in respect of office staff at 15 days salary for each year of completed service, since there are only eight employees at the office, actuarial valuation is not necessary and the provision made is adequate. Regarding leave encashment, as the accumulated liability is discharged in the subsequent year itself, management is of the opinion that the actuarial valuation is not necessary.

3. For Item 4 (vi) (a)- of Audit Report

The Company has taken a policy with Life Insurance Corporation of India to meet the liability towards gratuity payable to workers and the Chairman & Managing Director. The liability for gratuity has been provided on the basis of the amount arrived at by the Life Insurance Corporation of India under the scheme. Gratuity payable to the Chairman & Managing Director was provided at 15 days salary for each year of completed service in the previous year. The effect of such change in method is not material.

4. For Item 4 (vi) (b) - of Audit Report

The Board strongly feels that the company can increase its net worth due to the agreement entered with Bank of India, infusion of further capital through strategic financial investment hence the situation of management plans going otherwise is most unlikely.

5. For Item 4 (vi) (c) - of Audit Report

The Company has filed a petition before the Honourable High Court of Karnataka, which has granted a stay pending disposal of the petition. No provision has been made for the proposed penalty, as the matter is sub-judice.



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Regarding non-provision for entry tax, the matter is pending before the assessing authority and no orders have been communicated till date. Consequently, no provision has been made for the sum of Rs.7.07 lakhs in accounts.

### 6. For Item 4 (vi) (d) - of Audit Report

Though the confirmation of balances was sought from debtors and creditors, we have not received confirmation from a few creditors & debtors.

### 7. For Item (vii) - of Annexure to Audit Report

The Company has in place effective internal control systems in all spheres of activities. These ensure optimal use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters. Efforts are being made to strengthen the internal audit for the coming years.

### 8. For Item (ix) (a) - of Annexure to Audit Report

Due to financial crunch at times, the company has not deposited statutory dues in time, however the company has deposited all the dues though belatedly.

### 9. For Item Item (ix) (b),(c) - of Annexure to Audit Report

Regarding Sales tax, we have preferred an appeal stating that the Company is struggling for its existence and also when the BIFR is taking positive steps for the revival of the unit, the Commercial Tax Authorities are taking coercive steps for recovery of the arrears of tax etc., The Company has obtained a stay from the Honourable High Court of Karnataka against the recovery proceedings and the notice of penalty issued by the Sales Tax Authorities. Hence, no provision has been made for the penalty proposed.

### 10. For Items (x), (xi) and (xvii) - of Annexure to Audit report.

They are only statements of facts by the Auditor and not qualifications.

## 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:

- (a) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures;

- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2006 and of the Loss for the year ended on that date;

- (c) the Directors 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

- (d) the Directors have prepared the annual accounts on a 'going concern' basis even though the net-worth has been eroded on account of heavy interest burden and provision for doubtful debts and advances, taking into account management's assessment of revival of business, infusion of capital through strategic investment / further issue of capital.

## CORPORATE GOVERNANCE REPORT:

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreements of the Stock Exchanges on which the Company is listed are complied with. A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report.

## PERSONNEL:

Your Directors wish to place on record, their sincere appreciation to the employees at all levels for their dedication and hard work.

## ACKNOWLEDGEMENTS:

The Directors wish to thank the Company's Bankers, Financial Institutions, Government Authorities, Customers and the Suppliers for their unstinted support extended to the Company and also place on record the continued support extended by the employees at all levels to the Company's operations during the year.

For and on behalf of the Board of Directors

Place: Bangalore  
Dated: 29-07-2006

**S. SURESH**  
Chairman and Managing Director

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# ANNEXURE TO THE DIRECTORS' REPORT

## FORM NO.A

## DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Year Ended 31.03.2006	Year Ended 31.03.2005
<b>A) POWER &amp; FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
a. Purchased Units	1,067,260	686,834
Total Amount	4,941,420	3,127,631
Rate/Units	4.63	4.55
b. Own Generation		
i. Through Diesel Oil	13,730	10,083
Units per litre of Diesel	2.97	2.80
Oil Cost/Unit		
ii. Through Steam Turbine		
Generator Units	—	—
Units per litre of		
Fuel/Oil/Gas Cost/Unit	—	—
<b>2. Coal (specify Quality &amp; where used)</b>		
Total Cost	—	—
Average Rate	—	—
<b>3. Furnace Oil</b>		
Quantity (MT)	260.75	421.00
Total Amount	4,446,973	5,539,942
Average Rate	17,055 /MT	13,159 /KL
	16,338 /KL	
<b>4. Others/internal generation</b>		
(Please give details)		
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

**B. CONSUMPTION PER UNIT OF PRODUCTION**

	Standard If any	Year Ended 31.03.2006	Year Ended 31.03.2005
Products (with Details-Unit Electricity)	—	632 Units/MT	392 Units/MT
Coal (Specify Quality)	—	—	—
Furnace Oil	—	152 Ltrs/MT	237 Ltrs/MT

For and on Behalf of the Board of Directors

Place: Bangalore  
Date: 29-07-2006

**S.SURESH**  
Chairman & Managing Director





## SHIMOGA TECHNOLOGIES LIMITED

### 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 does not 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.

#### Opportunities and Threats:

The Company is exploring the possibilities of forward integration by way of catering machined / ready to use components to user industries. Improvement in the outlook for engineering industries and expected increase in the growth of automotive sector will provide good opportunity for Company's products. Company's strong thrust on quality, cost and delivery has given the Company a good reputation with the customers and this is expected to result in enhanced business for the Company. The major perceivable threats are Fluctuation in Steel and Petroleum prices, Foreign Exchange rates, Interest rates, Political stability and Economic scenario.

#### Industrial Structure and Developments:

Local suppliers of raw-materials like steel, Engineering spare parts and other materials have increased the prices to an all time high level. This has put considerable pressure on the Company's margins. Although the Company is making every effort to improve productivity, reduce waste and various overhead expenses to combat and offset these price increases, certain amount of erosion in margin is expected.

#### Outlook:

Overall, as our economy is poised for better growth and prospects in coming years, it is expected that the operations of the Company would grow but at a

moderate pace. Having due regard to the negative effects as elaborated above and any external events to the Company, the Company expects to perform satisfactorily during the year 2006-07.

#### Internal Control Systems and their adequacy:

The Company has a proper and adequate internal control procedure which is supplemented by a well defined programme of Internal Audit.

The Company has in place effective internal control systems in all spheres of activities. These ensure optimal use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters.

#### Human Resource Development:

The Company conducts regular training programmes both internally and externally for employees at all levels to improve the skills and overall development. Employee relations at all levels continue to remain cordial.

#### 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, Provision for bad debts, prior period adjustments and Miscellaneous Expenses written off which are not operational costs) even when the raw material prices have increased considerably. Nevertheless to add that excessive interest payable to financial institutions is one of the main components of indirect expenses which has resulted in net loss.

#### Uncertainties:

Like other manufacturing industries, the fortunes of your Company are tied with the volatility in raw material prices, products and components. The state of the economy, therefore, influence the turnover and profitability.

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## ANNEXURE TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy on Code of Governance:

The Company's philosophy on Corporate Governance is sustained growth, transparency, disclosure, internal controls and risk management, internal and external communications, and high standards of safety, health, and environment management, accounting fidelity, product and service quality.

Your Company has implemented various measures of Corporate Governance aiming to assist the management of the Company and to meet the obligations to Shareholders and towards enhanced transparency.

## 2. Board of Directors:

The Board of Directors consists of four directors. Composition of the Board is as follows:

Category	Name of the Director
Executive Director	Sri. S. Suresh
Non-Executive Director	Smt. Shailaja Suresh
Independent Director	Sri. M.S. Ranganath
Independent Director	Sri. R.C. Sarangi

Attendance of each Director at the Board Meetings, Last Annual General Meeting and number of Board Committees of which he/she is a chairperson and No. of Board Meetings held :

Name of the Director	Attendance Particulars			No. of other Directorships and Committee member / chairmanship		
	Board Meetings held & present during directors tenure		Last AGM	Other Directorships@	Committee Memberships	Committee Chairmanships
	Held	Present				
Sri S.Suresh	10	10	Present	Nil	1	1
Smt.Shailaja Suresh	10	10	Present	Nil	1	1
Sri M.S. Ranganath	10	10	Present	2	1	1
Sri. R.C. Sarangi*	3	3	N.A.	Nil	1	1

\* Appointed as Additional Director on 12-12-2005.

@ Including Directorship in Private Limited Companies and excludes any Company registered under Section 25 of the Companies Act, 1956.

## Number of Board Meetings held, dates on which held:

10 Board Meetings were held during the period. The dates on which the meetings were held were 30th June 2005, 30th July 2005, 28th September 2005, 27th October, 2005, 12th November 2005, 1st December 2005, 12th December 2005, 7th January 2006, 30th January 2006, 17th March 2006.

The Maximum gap between two Board Meetings was not more than three months.