



SHIMOGA TECHNOLOGIES LIMITED



SHIMOGA TECHNOLOGIES LIMITED

BOARD OF DIRECTORS	SURESH SHASTRY	<i>Chairman & Managing Director</i>
	SHAILAJA SURESH	<i>Director</i>
	M.S. RANGANATH	<i>Director</i>
	M.H.R. RAO	<i>Director (appointed w.e.f. 16th Nov 2006)</i>
	R.C. SARANGI	<i>Director (Resigned on 1st Nov 2006)</i>
COMPANY SECRETARY	C.R. SHARMA	
AUDITORS	H.R.SUDARSHAN	
	H.R.SUDARSHAN & ASSOCIATES	
	Chartered Accountants	
	No.47, "BRAHMI"	
	9th Main, 11th Cross	
	Girinagar, III Phase	
	BANGALORE - 560 085.	
REGISTRAR AND TRANSFER AGENTS	TSR DARASHAW LIMITED	
	6-10, Haji Moosa Road	
	Mahalaxmi	
	MUMBAI - 400 011	
REGISTERED OFFICE	Lakshmaiah Complex,	
	No.9, 12th Cross,	
	Ganganagar, Bellary Road,	
	BANGALORE - 560 024	
	Karnataka	
WORKS	Plot Nos. 12 & 13,	
	Industrial Estate,	
	Sagar Road,	
	SHIMOGA - 577 204, Karnataka	

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NOTICE

Notice is hereby given that **Sixteenth Annual General Meeting of Shimoga Technologies Limited** will be held on Friday, the 28th September 2007, at 10:00 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 consider the audited accounts for the year ended 31st March 2007 and the reports of Directors and Auditors thereon.
2. To appoint a director in place of Smt. Shailaja Suresh, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof:

"RESOLVED THAT Mr. H.R. Sudarshan, proprietor M/s. H. R. Sudarshan & Associates, Chartered Accountants, Bangalore, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, which remuneration may be paid on a progressive billing basis to be agreed between the Auditors and the Board of Directors."

SPECIAL BUSINESS:

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

"RESOLVED that Shri. M.H.R. Rao, who was appointed as additional director by the Board during the year be and is hereby appointed as Director of the Company liable to retire by rotation."

5. To consider and, if thought fit, to pass with or without modification (s), the following resolution as an ordinary resolution:

"RESOLVED THAT subject to Section 198, 269,309 and schedule XIII and other applicable provisions of the Companies Act, 1956, Shri Suresh Shastry be and is hereby re-appointed as Managing Director of the company for a further period of five years with effect from 1st May 2007 on following terms and conditions.

I. Remuneration**(a) Fixed Compensation**

Fixed Salary of Rs. 50,000/- (Fifty Thousand only) per month

(b) Perquisites

- i) Housing - The expenditure by the Company on hiring furnished accommodation for Managing Director will be subject to the ceiling of 60% of the salary over and above 10% payable by the Managing Director.

In case, the Company owns the accommodation, the Company shall deduct 10% of salary of Managing Director.

In case, the Company provides no accommodation, the Managing Director shall be entitled to house rent allowance not exceeding 60% of the Salary.

- ii) Medical re-imbursement - Medical expenditure incurred by the Managing Director and his family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii) Leave Travel Concession - Leave travel concession for the Managing Director and his family once in a year subject to maximum ceiling of one month's salary per year or four months salary over a period of four years.
- iv) Club Fee - Membership Fee of clubs subject to a maximum of Rs. 50,000/- per annum.
- v) Personal Accident Insurance - Premium not exceeding Rs. 10,000/- per annum.
- vi) The Managing Director shall also be eligible to the following perquisites that shall not be included in the computation of the ceiling on remuneration specified in paragraph above:

- a) Company's contribution towards provident fund as per the rules of the Company.
- b) Gratuity as per the rules of the Company
- c) Company's contribution towards superannuation fund as per rules of the company.

The aforesaid perquisites stated in (vi)(a) (vi)(b) and (vi)(c) shall not be included in the computation of minimum remuneration to the extent these either singly or put together are not taxable under the Income-tax Act 1961.

- d) Car and Telephone - Provision of car for use on Company's business and telephones at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall, however, be billed by the Company to the Managing Director.

- e) Encashment of leave at the end of tenure -

II. Overall Remuneration

The aggregate of the remuneration as specified above or paid additionally in accordance with the rules of the Company in any financial year, which the Board in its absolute discretion pay to the Managing Director from time to time, shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the



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Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

III. Minimum Remuneration

Notwithstanding the foregoing, where in any financial year during currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the remuneration will be subject to Schedule XIII to the Companies Act, 1956.

By order of the Board

For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore (Suresh Shastry)
Date : 31st July, 2007 *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 24.09.2007 to 28.09.2007 (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. Shareholders 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. **M/s. TSR DARASHAW LIMITED - Mumbai** are the Company's Registrar and Share Transfer Agents. Shareholders are requested to send all requests for transfer of shares, dematerialization of shares, change in address, etc., to their Head Office or Branch Offices as mentioned in point No. 10.9 on page 14.
8. Members desiring to have any information on the accounts are requested to write to the company at least one week before the meeting so as to enable the management to keep the information ready.

9. 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.

10. Members are requested to intimate immediately any change in their address to the Registrar and Transfer Agents of the Company. Also they are requested to send to our Registrar and Transfer, Agent (1) PAN Number (2) Bank Account Number

11. Appointment of Directors:

At the ensuing Annual General Meeting, Smt. Shailaja Suresh retires by rotation and being eligible offers herself for reappointment. Smt. Shailaja Suresh 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:

Smt. Shailaja Suresh

She is a science graduate with sufficient knowledge about office administration. She is also one of the promoters of the Company. Smt. Shailaja Suresh'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(2) OF THE COMPANIES ACT 1956

SPECIAL BUSINESS: Item No.4

The Board of Directors of the company co-opted Shri. M.H.R. Rao as an Additional Director of the company with effect from 16th November 2006 as per section 260 of the Companies Act, 1956. Shri. M.H.R. Rao holds office until the conclusion of this Annual General Meeting. The Board recommends his appointment as a Director and liable to retire by rotation.

Shri. M.H.R. Rao is a Graduate in science from Mysore University of 1948 batch. He also holds first class Mine Managers Certificate. He is a member of the following Institutions:

- a) Geological Society of India,
- b) Mining, Geological and Metallurgical Society of India
- c) Mining Engineer's Association of India.

He has served Bharat Gold Mines Limited for more than 32 years in various capacities and retired in 1983 as a Technical Director of BGML. He has received the President's

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Republic Day Award (Jeevan Raksha Padak) in 1965. He has wide experience in development of mines, mine support and extraction of Minerals. The Company is sure 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 Shri. M.H.R. Rao as a candidate for appointment as a Director of the company at this Annual General Meeting.

Shri. M.H.R. Rao is interested in the resolution at Item No.4 of the Notice since it relates to his appointment.

SPECIAL BUSINESS: Item No. 5

Shri Suresh Shastry was re-appointed as Chairman and Managing Director by the Board in its Meeting held on 18th April 2007, for a period of five years, w.e.f. 1st May 2007 based on the recommendation of the Remuneration Committee. Mr. Suresh Shastry had been the Managing Director from the inception of the Company. He has steered the company out of difficult period and brought it on to the

progressive track. His services are quite essential at this juncture. Mr. Suresh Shastry has contributed immensely during the previous years to the successful running of the plants of the Company, despite severe financial constraints. Your directors recommend for the approval of the shareholders for passing the said resolution for re-appointment of Shri. Suresh Shastry as Managing Director of the Company for a further period of five years with effect from 1st May 2007 on the terms and conditions stated in the Notice.

None of the Directors of the Company except Shri. Suresh Shastry and Smt. Shailaja Suresh may be deemed to be concerned or interested in this resolution.

By order of the Board
For **SHIMOGA TECHNOLOGIES LIMITED**

Place : Bangalore

(Suresh Shastry)

Date : 31st July, 2007 *Chairman & Managing Director*

DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

Particulars	Shri. M.H.R. Rao	Smt. Shailaja Suresh	Shri. Suresh Shastry
Date of Birth	25.08.1925	25.06.1959	12.11.1956
Qualification	<ol style="list-style-type: none"> 1. B.Sc from Mysore University 2. First Class Certificate – Mines Manager 3. Member of Geological Society of India 4. Member of Mining, Geological & Metallurgical Society of India 5. Member of Mining Engineer's Association of India 	Science Graduate	Holds a specialized Advanced Diploma in Forge Technology from the National Institute of Foundry & Forge Technology – Ranchi
Expertise in Specific Functional areas	Served Bharat Gold Mines Limited, for more than 32 years & retired as its Technical Director. Has vast experience in Mining Technology & Metals	Wide experience in office Administration	He is a Metallurgical Engineer and has 27 yrs experience in Forging Industry.
Directorships held in other Public Companies (excluding Foreign Companies)	Nil	Nil	Nil
Memberships/Chairman ships of Committees of other Public Companies	Nil	Nil	Nil
Number of Shares held in the Company	Nil	Nil	2687320 Equity Shares of face value Re 1/-



SHIMOGA TECHNOLOGIES LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixteenth Annual Report and the Audited Accounts for the year ended 31st March 2007.

PERFORMANCE:

Your Company has recorded a sales turnover of Rs. 1070.63 lakhs as against Rs. 842.44 lakhs for the previous year. i.e., 27% increase in its turnover.

As reported to you in our last report, your Directors are happy to inform you, that One Time Settlement agreement with Bank of India, was completely honoured during the year under report and thus the Company has come out of a debt trap. The accrued interest on Bank of India loan amounting to Rs. 567.82 lakhs has been written back thus bringing down the accumulated loss to Rs. 402 lakhs as compared to Rs. 805 lakhs in the previous year.

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.

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 2007.

DIRECTORS:

Smt. Shailaja Suresh, Director retires by rotation and is eligible for re-appointment.

Shri. M.H.R. Rao was appointed as Additional Director by your Board of Directors on 16th November 2006. In terms of Section 260 of the Companies Act, 1956, Shri. M.H.R. Rao holds office until conclusion of the ensuing Annual General Meeting. Notice has been received from a member proposing Shri. M.H.R. Rao's name for the office of Director.

The Board recommends the resolution for appointment of Shri. M.H.R. Rao as Director, as set out in Item 4 of the Notice convening the Annual General Meeting.

Shri. R.C. Sarangi resigned as Director of the Company with effect from 1st November 2006. The Board places on record the valuable services rendered by him for development of the Company.

FIXED DEPOSITS:

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

AUDITORS:

The Company's Auditors, Shri. 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 limited 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 Exchange is in process.

AUDITOR'S QUALIFICATION:

Regarding Auditors qualifications, the Directors state as follows:

1. For Item 4(vi) (a) of Audit Report

As against the earlier practice of mere provisioning, the Company has now taken a policy from Life Insurance Corporation of India to meet the complete liability towards Gratuity payment. This method of creating physical reserves to cover future liability is in the interest of the Company. The effect of this change in accounting policy is insignificant on the financial results of the Company.

2. For Item 4(vi) (b) of the Audit Report

The Board confirms that after paying the dues of Bank of India and IDBI, the company has come out of debt trap and the net worth of the company has become positive as at the end of the financial year 2006-2007. The Company's manufacturing plant is functioning round the clock and the Sales turnover has increased by 27% during the year. The Company has been regularly discharging all its current liabilities on time. Therefore the Board strongly feels that the company would wipe out its accumulated losses in the years to follow, and increase its net worth further. The Board does not foresee any reason to be apprehensive about the

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future prospects of the Company and hence drawn the accounts on a going concern basis.

3. For Item 4(vi) (c) of the 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.

4. For Item 4(vi) (d) of the Audit Report

a. Advances given by the Company usually relates to deposits / advances with statutory institutions like BSNL, BESCO, Central Excise etc., The Company has obtained receipts from such statutory institutions at the time of making payments.

b. The Company has obtained confirmation of balances against of 95% of Debts. Although the company has promptly requested all the creditors to confirm balances, only 50% (approximately) of the creditors have sent in confirmations.

5. For Item 4(vi) (e) of the Audit Report

Reconciliation of new fixed assets register is in progress and will be completed soon. Since no assets have been disposed off during the year, the Board feels that there will be no material difference.

6. For Item (i) (a) & (b) of Annexure to the Auditors Report

The fixed assets register has already been written up and reconciliation work is in progress. As already stated in item No. 5 above, since no asset has been disposed off during 2006-2007, the Company does not foresee any material difference at the time of verification.

7. For Item (vii) of Annexure to the Auditors Report

The Company is in the process of strengthening the accounts as well as internal audit system for the coming years. Necessary steps have been taken to recruit suitable qualified and experienced officer.

8. For Item (ix) (a) & (b) of Annexure to the Auditors Report

(a) Due to financial crunch at times, the company has delayed in payment of statutory dues in time. However, the company has deposited the dues belatedly.

(b) Regarding Sales tax / Entry tax the Company has approached the Government of Karnataka for certain relief. The Company has also referred the matter to Hon. Board for Industrial and Financial Reconstruction for the sanction of a rehabilitation package for the revival of the unit. In view of this, The Hon. High Court of Karnataka has stayed the recovery proceedings. Since the Company is facing severe shortage of working capital, there have been delays in payment of statutory dues. The company is taking necessary steps to repay the dues at the earliest.

9. For Item (x) & (xi) of Annexure to the Audit Report

As already stated in Para No 2 aforesaid, the company is hopeful of increasing the net worth by

taking all possible measures in working of the company. The payment of dues to Bank of India and IDBI is a pointer to the direction of management's plans and recovery actions.

10. For Item (xvii) of Annexure to the Audit Report

Due to sustained losses, the Company does not have long term funds for the purchase of need based fixed assets and hence it was left with no other alternative but to use short term funds to procure the long term assets. During the year, the Company has purchased a Diesel Generator for the continuous working of the plant, Two Lathes and one Drilling Machine to process the products to meet the customer standards, failing which the Company might have lost the orders. The equipments are being regularly used from the date of installation.

The Management feels that without the above essential items of assets, the company would not have achieved 27% increase in its turnover during previous year and the accumulated losses would have been greater than reported.

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:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- 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, 2007 and the loss for the year ended on that date.
- 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
- the Directors have prepared the annual accounts on a 'going concern' basis even though there is an erosion in the net worth taking into account Management's assessment of revival of business and reduction in accumulated losses on account of repayment of loans to Bank of India and Industrial Development Bank of India.

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.



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PERSONNEL:

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

and also place on record the continued support extended by the employees at all levels to the Company's operations during the year.

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

For and on behalf of the Board of Directors

Place : Bangalore

(Suresh Shastry)

Date : 31st July, 2007 Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT FORM NO. A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Year Ended 31.03.2007	Year Ended 31.03.2006
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a. Purchased Units	1,368,912	1,067,260
Total Amount	6,224,360	4,941,420
Rate/Units	4.55	4.63
b. Own Generation		
i. Through Diesel Oil		
Units per litre of Diesel	11670.4	13,730
Oil Cost/Unit	2.94	2.97
ii. Through Steam Turbine		
Generator Units	—	—
Units per litre of	—	—
Fuel/Oil/Gas Cost/Unit	—	—
2. Coal (specify Quality & where used)		
Total Cost —	—	—
Average Rate	—	—
3. Furnace Oil		
Quantity (MT)	279.04	260.75
Total Amount	5,507,554	4,446,973
Average Rate	19,738 /MT	17,055 /MT
4. Others/internal generation		
(Please give details)		
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standard If any	Year Ended 31.03.2007	Year Ended 31.03.2006
Products (with Details-Unit Electricity)	—	782 Units/MT	632 Units/MT
Coal (Specify Quality)	—	—	—
Furnace Oil	—	158 Ltrs/MT	152 Ltrs/MT

For and on Behalf of the Board of Directors

Place: Bangalore

Date: 31st July 2007

(SURESH SHASTRY)

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 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:

Indian Auto Components industry is growing strong, year after year. All the Domestic auto majors have stepped up their production and most of the International Giants have come to India for sourcing components for their products. Though your Company is a reputed manufacturer of small, precision and intricate forgings, to exploit the opportunities offered by the burgeoning market, it is necessary for the Company to offer bigger, intricate forgings and ready-to-fit parts. As the Company has managed to now get out of the debt trap, it may explore the possibilities of arranging additional funds and subject to availability of necessary project finance, your Company may take up an expansion cum forward integration plan by way of adding bigger hammers and establishing a machining unit.

Threats:

The major perceivable threats are fluctuation in steel and petroleum prices, foreign exchange rates, interest rates, political stability and the overall economic scenario. Domestic steel manufacturers and refineries have increased their prices to an all time high level. The prices of other consumables and spare parts are also sky rocketing. The labour cost has also gone up. Although the Company is making all out effort to improve productivity, reduce waste and cut overhead expenses, if the user industry is unable to absorb these increases and if the Company is made to absorb whole or a part of these increases, it would result in erosion of margins.

Outlook:

In the backdrop of robust industrial growth witnessed in the country during the previous year, it is expected that the Country's economy will continue to be healthy during the current year also. Consequently the operations of your Company will also grow, but at a moderate rate. Subject to the perceived threats, the Company expects to perform better in the year 2007-08.

Internal Control Systems and their adequacy:

The Company has a proper and adequate internal control procedure in place, supplemented by a well defined, Internal Audit system. All the functional departments are integrated by a well defined and computerized communication system to ensure optimal utilization of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial activities.

Human Resource Development:

The Company conducts regular training programs, both internally and externally for employees at all levels, to maintain the personnel relations, to develop individual personality and to improve work skills. While the skill pattern of employees is at par with the industry average, the human relations at all levels continue to remain cordial.

Financial Performance:

During the year under review, in spite of severe resource constraint, your Company's Sales has increased from Rs. 8,42,44,097 to Rs.10,70,63,094, up by Rs.2,28,18,997. Even when the raw material price has gone up by 15% and that of other consumables have increased by more than 15%, the Loss before Tax and prior period items has reduced from 1,17,32,473 to Rs.52,13,229. This is a notable improvement. Now that the financial burden has come down drastically, the Company's profitability is expected to go up in the years to come.

Uncertainties:

Your Company predominantly depends upon Automobile Industry for its work orders and hence the prospects of your Company is linked with that of Auto Industry. Further, the volatility in the prices of Raw Material, Consumables, Spares and Components have a direct bearing on the performance of your Company.



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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	Shri. Suresh Shastry
Non-Executive Director	Smt. Shailaja Suresh
Independent Director	Shri. M.S. Ranganath
Independent Director	Shri. M.H.R. Rao

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				
Shri. Suresh Shastry	8	8	Present	Nil	1	-
Smt. Shailaja Suresh	8	8	Present	Nil	1	1
Shri. M.S. Ranganath	8	8	Present	2	1	1
Shri. R.C. Sarangi*	4	2	Present	Nil	1	1
Shri. M.H.R. Rao**	3	3	N.A.	Nil	1	-

* Resigned on 01.11.2006

** Appointed as an additional Director on 16.11.2006

@ 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:

8 Board Meetings were held during the period -

The dates on which the meetings were held were 29th June 2006, 29th July 2006, 29th September 2006, 31st October 2006, 6th November 2006, 16th November 2006, 31st January 2007 and 21st March 2007.

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