



SHIMOGA TECHNOLOGIES LIMITED

**NINETEENTH ANNUAL REPORT
2009 - 2010**



SHIMOGA TECHNOLOGIES LIMITED

BOARD OF DIRECTORS

| | |
|----------------------------|--------------------------------|
| SURESH SHASTRY | <i>Chairman & Director</i> |
| G.ANANDA | <i>Director</i> |
| S. LAKSHMI NARAYANA MURTHY | <i>Director</i> |

AUDITORS

H.R.SUDARSHAN,
H.R.SUDARSHAN & ASSOCIATES,
Chartered Accountants,
No.47, "Brahmi", 9th Main, 11th Cross,
Girinagar Third Phase
Bangalore- 560 085.

REGISTRAR AND TRANSFER AGENTS

TSR DARASHAW LIMITED
6-10, Haji Moosa Patrawala Industrial Estate,
20 Dr.E.Moses Road, Mahalaxmi,
Mumbai-400011

REGISTERED OFFICE

135/3A, 11th Cross,
Malleshwaram,
Bangalore - 560003

WORKS

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

NOTICE

Notice is hereby given that **Nineteenth Annual General Meeting of the Members of SHIMOGA TECHNOLOGIES LIMITED** will be held at Seva Sadan Association, 14th Cross, Malleshwaram, Bangalore-560003 on Thursday the 30th September, 2010 at 10.00 A.M to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2010 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G.Ananda who retires by rotation and being eligible, offers himself for re-appointment.
3. The retiring Auditors, Mr. H.R. Sudarshan, Proprietor M/s.H.R. Sudarshan & Associates, Chartered Accountants, Bangalore, have informed the Company that they are unwilling to continue as Statutory Auditors of the Company. In response to Companies letter, Mr. T. Raghavendra Naik, Proprietor, M/s. Raghavendra Naik & Associates, Chartered Accountants, Bangalore, have intimated their willingness to act as Statutory Auditors of the Company. As per the recommendation of the Audit Committee, the Board proposed to appoint Mr. T. Raghavendra Naik, Proprietor, M/s. Raghavendra Naik & Associates, Chartered Accountants, Bangalore, as Statutory Auditors of the Company. Members may consider and, if thought fit, to pass with or without modification, the following resolution as on Ordinary Resolution.

"RESOLVED THAT Mr. T. Raghavendra Naik, Proprietor, M/s Raghavendra Naik & Associates, Chartered Accountants, Bangalore be and are hereby appointed as Statutory Auditors of the Company in place of the retiring Auditors to hold the office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting at the remuneration as may be fixed by the Board of Directors."

Special Business :

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Special Resolution
"RESOLVED THAT, pursuant to Clause 3 of the Articles of Association of the Company and other applicable provisions of the Companies Act, 1956 and subject to provisions of such other laws or rules or regulation and subject to approval of such other statutory Authorities, the Paid Up Equity Share Capital of the Company be reduced from Rs.4,32,00,000/- divided in to 4,32,00,000

shares of Rs.1/- each into Rs.43,20,000/- divided into 43,20,000 shares of Rs.1/- each and such reduction is effected by cancelling Rs.3,88,80,000/- divided into 3,88,80,000 equity shares of Rs.1/- each of the paid up equity share capital which is unrepresented by available assets."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to file a scheme to the Hon. Board for Industrial & Financial Reconstruction, for an order confirming the aforesaid reduction and Board of Directors of the Company be and are hereby authorised to sign and verify the scheme, appoint advocates and to do all such acts, deeds and things as may be necessary for obtaining the order of the Hon. Board for Industrial & Financial Reconstruction to the Reduction of Capital in terms of the aforesaid resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 18 of Sick Industrial Companies (Special Provisions) Act, 1985 and other applicable provisions, if any, of the Companies Act, 1956 and subject to sanction of the Hon. Board for Industrial and Financial Reconstruction and subject to obtaining such approvals, consents, permissions and sanctions by Statutory Authorities and Courts as may be required, approval be and is hereby accorded for the amalgamation of Bhagavathi Enterprises Limited with Shimoga Technologies Limited".

"RESOLVED FURTHER THAT subject to getting clearance from the Hon. Board for Industrial and Financial Reconstruction, subject to furnishing such information to Stock Exchange and subject to such other approvals as may be required, the consent of the shareholders be and is hereby accorded to the Board of Directors, pursuant to provisions of section 81(1A) and other applicable provisions if any of the Companies Act, 1956, to issue further Equity Shares to the existing shareholders or to persons other than existing shareholders including shareholders of Bhagavathi Enterprises Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to file a scheme before the Hon. Board for Industrial and Financial Reconstruction, for an order confirming the aforesaid amalgamation and issue further Equity Shares to the existing shareholders or persons other than the existing shareholders including the shareholders of Bhagavathi Enterprises Limited & the Board of Directors



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of the Company be and are hereby authorised to sign and verify the scheme, appoint advocates and to do all such acts, deeds and things as may be necessary for obtaining the order of the Hon. Board for Industrial and Financial Reconstruction”

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

"RESOLVED THAT pursuant to sections 16, 31 and 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the Company be and is hereby increased from Rs. 4,50,00,000/- (Rupees Four Crores fifty lakhs) divided into 4,50,00,000 equity shares of Rs. 1/- each to Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 10,00,00,000 Equity Shares of Rs. 1/- each, ranking pari passu with the existing Equity Shares.

RESOLVED FURTHER THAT Clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows:

V. "The Share Capital of the Company is Rs.10,00,00,000/- (Rupees Ten Crores only) divided into 10,00,00,000 Equity Shares of Rs.1/- each.

RESOLVED FURTHER THAT Clause 3 of the Articles of Association of the Company be and is hereby altered to read as follows:

"3. The authorized Share Capital of the Company is Rs.10,00,00,000/- (Rupees Ten Crores only) divided into 10,00,00,000 equity shares of Rs.1/- each with power to increase , issue further capital and reduce the capital of the company and to divide or consolidate the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be provided or determined from time to time."

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do such other acts and deeds as may be necessary for giving effect to this resolution."

By the Order of the Board of Directors

Place: Bangalore
Date: 27.08.2010

(S. SURESH)
Chairman & Director

Regd. Office:
135/3A, 11th Cross,
Malleswaram,
Bangalore – 560 003

NOTES:

1. Register of Members and Share Transfer Books of the company will remain closed from 24.09.2010 to 30.09.2010 (both days inclusive).
2. **A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective, an Instrument of appointment of proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time Scheduled for commencement of the meeting.**
3. The Explanatory Statement required under Section 173(2) of the Companies Act, 1956 in respect of the business mentioned above is being annexed herewith.
4. Members desiring any information as regards to accounts are requested to write to the Company so as to reach at least seven days before the date of the meeting to enable the management to keep the information ready.
5. Members / Proxies 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.
6. Members / Proxies should fill the Attendance slip for attending the meeting.
7. Members who hold shares in Dematerialised 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.
8. 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.
9. 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 the Registrar and Transfer Agent (1) PAN (2) Bank Account Number.
10. The Relevant details of the person seeking reappointment as Director under item No.2 above pursuant to clause 49 of the listing Agreement entered in to with the Stock Exchange is given below.

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| | |
|--|---|
| Name | Sri. G.Ananda |
| Date of Birth | 07.11.1952 |
| Date of Appointment | 02.08.2008 |
| Educational Qualification | Bsc., A.M.I.E and PGDM |
| Work Experience | Worked as Factory Manager in Asian Paints Ltd, Worked as General Manager in 1. Egyptian American Paint Co.Ltd., 2. Arvind Cotspin Ltd. 3. Bombay Oil Industries Ltd., CEO in RM Mohite Textiles Ltd |
| No. of shares held in the paid up capital of the Company. | Nil |
| Directorships held in other public Companies (Excluding Foreign Companies) | Nil |
| Memberships/Chairmanships of Committees of other Public Companies | Nil |

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

Item no.4

Ever since the Board of Directors formed an opinion about the sickness of the Company and filed a reference before the Hon. Board for Industrial and Financial Re-construction, in 2002, the Company has not been able to raise any additional share capital. During the last eight years, The Board of Directors tried several times to raise capital, but because of the accumulated losses and consequential erosion of capital, no investor showed any interest in investing in the capital of

the Company. Due to the fact that, the accumulated losses are more than the Paid up Capital, the book value of shares is negative. Therefore, the only other alternative for providing level playing field and attracting new investors to invest in the Company is to set off the losses against the existing capital of the Company, which tantamount to Reduction of Existing Paid-up Capital. Therefore the Company intends to reduce the capital and the resolution requires your approval.

The Capital Structure & Shareholding pattern of the Company before and after the implementation of Capital Reduction is set out below:

| Particulars | Pre-Reduction | Post Reduction |
|----------------------|---|--|
| Capital Structure | Authorised Share Capital - 4,50,00,000 Equity Shares of Rs.1/- each. Issued Issued, Subscribed and Fully Paid up Capital - 4,32,00,000 Equity Shares of Rs.1/- each | Authorised Share Capital - 10,00,00,000 Equity Shares of Rs.1/- each. Issued Issued, Subscribed and Fully Paid up Capital - 43,20,000 Equity Shares of Rs.1/- each |
| Shareholding Pattern | Promoter and Promoter group Holding : 0.95% Foreign Holding : 0.34% Public Financial Institutions: 0.14% Other Bodies- Corporate: 9.04% Individuals: 89.53% | Promoter and Promoter group Holding :0.95% Foreign Holding: 0.34% Public Financial Institutions: 0.14% Other Bodies- Corporate: 9.04% Individuals: 89.53% |



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Note:- Since the Company is a listed Company it is not possible to predict the shareholding pattern after Capital Reduction and hence the post Reduction shareholding pattern is assumed to be same as pre- Reduction shareholding pattern.

None of the Directors of the Company is interested in the Resolution except to the extent of their holding of shares.

Item no.5

Ever since the Board of Directors formed an opinion about the sickness of the Company and filed a reference before the Hon. Board for Industrial and Financial Re-construction, in 2002, the Company has not been able to raise any additional capital. During the last eight years, the Board of Directors made several attempts to raise capital, but because of the accumulated losses and consequential erosion of capital, no investor showed any interest in investing in the capital of the Company. To Keep the business going, to curtail future losses and to save employment, the Company leased out its Factory to Bhagavathi Enterprises Limited on 1.4.2009. Whenever the company was in need of financial support i.e. at the time of settlement of dues to IDBI, at the time of settlement of dues to Bank of India, for settlement of dues to pressing creditors and now for payment of Sales Tax dues to Government of Karnataka, Bhagavathi Enterprises Limited has extended such support. Considering the events of recent past and to make the net worth of the company positive, the Company requested Bhagavathi Enterprises Limited to explore the possibility of amalgamation.

Broadly the features of the amalgamation are as follows:

- (i) Reduction of existing equity share capital of the company from Rs.4,32,00,000/- divided in to 4,32,00,000 shares of Rs.1/- each into Rs.43,20,000/- divided into 43,20,000 shares of Rs.1/- each
- (ii) After reduction of paid-up Equity Share Capital, allotment of equity shares of the Company to the shareholders of Bhagavathi Enterprises Limited, at Rs.1/- per share.

(iii) Merging of all assets and liabilities of Bhagavathi Enterprises Limited and Shimoga Technologies Limited.

(iv) The amalgamated Company to retain the name of the profit making entity ie. Bhagavathi Enterprises Limited.

As per the provisions of section 81(1)(A) of the Companies Act, 1956 to issue further Equity Shares to existing or other than the existing share holders requires special resolution to be passed in the General Meeting. If the amalgamation is approved, the Company has to allot further Equity Shares to shareholders of Bhagavathi Enterprises Limited.

Your Directors recommend the proposed resolutions for your approval.

None of the Directors of the Company is interested in the Resolution except to the extent of their holding of shares.

Item no.6

In view of raising additional funds, your Company may have to go in for enhancement of capital base. In order to bring additional Equity, the Authorized Capital of the Company should be adequately increased. It requires amendment to the Capital Clause of the Memorandum of Association and Articles of Association of the Company.

Pursuant to sections 16 and 31 of the Companies Act, 1956 read with section 94 of the said Act, the above said amendments should be approved by the General Body by way of a Special Resolution.

Your Directors recommend the proposed resolutions for your approval.

None of the Directors of the Company is interested in the Resolution except to the extent of their holding of shares

By the Order of the Board of Directors

Place: Bangalore
Date: 27.08.2010

(S. SURESH)
Chairman & Director

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DIRECTORS' REPORT

Dear Shareowners

Your Directors present the Nineteenth Annual Report together with the Audited Accounts for the year ended 31st March 2010.

1. FINANCIAL RESULTS.

During the year under review Company has achieved the following financial results: (Rs. in Lakhs)

| Particulars | 31.03.2010 | 31.03.2009 |
|---|------------|------------|
| Gross Sales and other income | 59.87 | 866.35 |
| Profit /(Loss) before Financial Charges, Depreciation Taxation and Prior Period items | 47.66 | 24.28 |
| Less: Financial Charges | 23.82 | 42.30 |
| Profit /(Loss) before Depreciation, Taxation and Prior Period items | 23.84 | (18.02) |
| Less: Depreciation | 21.69 | (25.32) |
| Profit /(Loss) before Taxation and Prior Period items | 2.15 | (43.33) |
| Less: Taxation (Including Deferred Tax) | 0.10 | (30.21) |
| Profit /(Loss) for the year | 2.05 | (73.55) |
| Less: Prior Period items | 0.15 | (0.94) |
| Net Profit/(Loss) for the year | 1.90 | (74.49) |
| Balance of Profit/(Loss) brought forward from last year | (596.57) | (522.08) |
| Profit/(Loss) Carried forward to Balance sheet | (594.67) | (596.57) |

2. OVERVIEW OF COMPANY PERFORMANCE:

The decision of leasing out the manufacturing facilities of the Company has proved beneficial. During the year under review, the Company has been able to reduce the operating expenses and record a Net profit of Rs.1.90 lakhs as against a net loss of Rs.74.48 lakhs for the previous year ended 31st March 2009. The sale of old fixed assets and writing off the excess provision in sundry creditors has enabled to achieve positive results.

3. DIVIDEND:

Since the company doesn't have sufficient amount of profits to pay dividend during the year under review, your Directors regret their inability to recommend dividend for the year ending 31st March 2010.

4. AUDITORS

You are requested to appoint Mr. T. Raghavendra Naik, Proprietor, M/s. Raghavendra Naik & Associates, Chartered Accountants, Bangalore, as statutory Auditors of the Company for the Current Year.

5. DIRECTORS:

None of the Directors are disqualified as on 31st March 2010 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.

6. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to provisions contained in section 217(2AA) of the Companies Act, 1956, the Directors of your company confirm:

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

b) that 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 at the end of the financial year and of the profit and loss of the company for that period;

c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) that the Directors have prepared the annual accounts on a going concern basis.

7. FIXED DEPOSITS:

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

8. CORPORATE GOVERNANCE REPORT:

In accordance with clause 49 of the listing Agreement with the stock exchange, a separate Report on Corporate Governance along with the Auditors certificate on its compliance is attached to this report.

9. MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to clause 49 of the listing Agreement entered in to



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with the stock exchange, Management Discussion And Analysis report forms the part of this report.

10. COMPLIANCE CERTIFICATE:

A Compliance certificate from Mr. Sudhindra K.S, Practicing Company Secretary, has been obtained regarding Compliance of provisions of Companies Act, 1956 as stipulated in Section 383A of the Companies Act, 1956. It is annexed herewith to the Directors Report.

11. SETTLEMENT OF UNPAID SALES TAX.

The Government of Karnataka has introduced Karasamadhana Scheme 2010, which allows one time settlement of unpaid Sales tax by waiving off 90% of the interest and penalty due thereon. As the funds are not available with the Company to pay off the sales tax dues, Company has raised additional lease deposit of Rs. 75 lakhs from Bhagavathi Enterprises Limited and paid the sales tax dues to the department. By this payment the Company has cleared one of the long standing debt and saved Rs.34.75 lakhs in the form of waiver.

12. REHABILITATION SCHEME:

Ever since the Company was considered as a Sick, The Board of Directors of the Company are trying to mobilise additional funds, but due to weak financials of the Company, the investments are not coming forth. The company is a sick Company and the hearing before the Hon. Board for Industrial and Financial Reconstruction is still pending. The Company has to form a Rehabilitation scheme to make the network of the Company positive and submit the same to the Board. The Board of Directors of the Company formed an opinion that, Reduction of the Existing share Capital of the Company and amalgamation with Bhagavathi Enterprises Limited will translate the net worth of the Company into positive. On this basis, the Board of Directors shall draft a Rehabilitation scheme and place it before the Honable Board for Industrial and Financial Reconstruction for their approval. Board is of the Opinion that once the said Rehabilitation Scheme is implemented the net worth of the Company will become positive.

13. RELATED PARTY DISCLOSURES:

As regards related party disclosures, one of the Directors of the Company is related to Directors of Bhagavathi Enterprises Limited, a closely held public limited company under the Companies Act, 1956. However, there are no common directors and no shareholders holdings in excess of 2% of the paid up capital of either of the companies. There are no other 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. For details of transactions with Bhagavathi Enterprises Ltd during the year 2009-10, please refer point 11 of Schedule-VII.

14. AUDITORS QUALIFICATIONS:

Regarding Auditors qualifications, the Directors state as follows:
For item no. 4.VI a of the Audit Report read with note no.2 schedule vii

Though the net worth of the Company has substantially eroded and the Company has leased out its manufacturing

facilities, the facts that the plant is continuously working and the manufacturing facilities have been leased out only for a short period and the Company has reserved its right to take back the facilities and re start the operations, soon after the financial re-structuring is complete, the accounts have been drawn on going concern basis.

For item no. 4 VIb of the Audit Report read with note no.5(i) schedule vii

As on date the Company has settled the Sales Tax dues to the Department. Under Karasamadhana Scheme 2010 announced by Govt. of Karnataka.

For item no. 4 VI c of the Audit Report read with note no.7 schedule vii

- a. Advances given by the Company usually relates to deposits / advances with statutory institutions. Company has obtained receipts from such statutory institutions at the time of making the payments.
- b. The Company has requested all the creditors and debtors to confirm the balances and it has obtained confirmations from most of Debtors and Creditors. Confirmation from the banks has been obtained during the year under review.

For item no. 4 VI d of the Audit Report read with note no.5(iv) schedule vii

The company is in process of filing the necessary applications / appeals for reduction / deletion of demands to Provident Fund authorities.

For Item No. VII of Annexure to Audit Report: relates to improving the internal audit system

The Company noted this suggestion and is in process of strengthening the internal audit systems by proper supervisions by qualified personnel.

For Item No. ix(a), ix(b) & ix(c) to Audit Report:

- a. The company has paid the statutory dues, however due to financial crunch, at times, the company has delayed payments.
- b. During the year 2010-11 the company has settled all the KST and CST dues upto 31st March 2005 under Karasamadhana Scheme 2010 and also deposited tax deducted at source for the year 2009-10 under the Income Tax Act 1961.
- c. As on the date the Company has settled the Sales Tax dues to the Department. Under Karasamadhana Scheme 2010.

For Item No. X to Audit Report:

The company is proposing reduction of capital and amalgamation to turn the network positive.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGOING:

Annexure A to this report gives the information in respect of conservation of Energy, Technology absorption and Foreign Exchange earning and outgo, required under, Sec 217(l) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Director's) Rules, 1988 and form part of the Directors' Report.

16. PARTICULARS OF EMPLOYEES:

The Company has no employees, therefore the statement

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relating to Particulars of Employees forming part of this report pursuant to section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time is not applicable to the company.

Customers and Vendors for their unstinted support to the Company.

For and on behalf of the Board of Directors

17. APPRECIATION AND ACKNOWLEDGEMENTS:

Your Directors thank the Members, Government Authorities,

Place: Bangalore
Date: 27.08.2010

S.Suresh
Chairman & Director

G.Ananda
Director

ANNEXURE TO THE DIRECTORS' REPORT FORM NO. A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| | Year Ended 31.03.2010 | Year Ended 31.03.2009 |
|---|--------------------------|--------------------------|
| A) POWER & FUEL CONSUMPTION | | |
| 1. Electricity | | |
| a. Purchased Units | — | 978,004 |
| Total Amount (Rs.) | — | 4592478 |
| Rate/Units (Rs.) | — | 4.70 |
| b. Own Generation | | |
| i. Through Diesel Oil | — | 4548.8 |
| Units per litre of Diesel | — | 2.44 |
| Oil Cost/Unit (Rs.) | — | — |
| 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) (Rs.) | — | 122.45 |
| Total Amount (Rs.) | — | 2,971,767 |
| Average Rate | — | 24,269/ MT |
| 4. Others/internal generation | | |
| (Please give details) | | |
| Quantity | — | — |
| Total Cost | — | — |
| Rate/Unit | — | — |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | Standard If any | Year Ended 31.03.2010 | Year Ended 31.03.2009 |
|--|--------------------|--------------------------|--------------------------|
| Products (with Details-Unit Electricity) | — | — | 1042 Units/MT |
| Coal (Specify Quality) | — | — | — |
| Furnace Oil | — | — | 130 MT |

For and on Behalf of the Board of Directors

Place: Bangalore
Date: 27.08.2010

S. Suresh
Chairman & Director

G.Ananda
Director



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 growth of the auto industry is a positive sign, the present economic scenario provides more opportunities for the company to expand its business. The accumulated loss of the Company is a constraint for growth of business. Proposed reduction of the existing share capital and amalgamation with Bhagavathi Enterprises Limited, which is a healthy Company, provides an opportunity for the growth of the organisation.

Objective

Reduction of the share Capital and amalgamation is to make the network of the Company positive.

1. Benefits to the Shareholders

- ❖ Reduction of Capital will help the Company in mobilising fresh investments, enhancement of business, positive growth and enhancement of share value.
- ❖ Amalgamation with a healthy Company will turn the net worth into positive, thereby enhancing the market value of shares.
- ❖ Amalgamation will result in conversion of debt into equity and the Company's debts will diminish drastically, adding value to the shares.
- ❖ Amalgamation will facilitate continuity of business thereby sending a positive signal to the market and in turn conserving the shareholders wealth.

2. What is the likely impact on the Share Price?

❖ **Share Price:**

Expected to move upwards.

❖ **Value of the Company:**

The value of the company will enhance to the extent of improvement in Net Worth.

The major perceivable threats are Liquidity, Interest rates, Political stability and Economic scenario.

Industrial Structure and Developments:

The Companies main source of income is from operating lease of Manufacturing Facilities. Company implemented necessary steps to reduce the operating and administrative expenses, to curtail the costs.

Outlook:

Subject to the approval of Capital Reduction and amalgamation, Company expects the operations to grow in a positive direction.

Internal Control Systems and their adequacy:

The Company has in place a strong Internal Control System, duly supplemented by internal audit system.

Human Resource Development:

There are no employees in the Company as they have resigned from the Company with effect from 01.04.2009.

Discussion on Financial performance with respect to operational performance:

During the year under review, the income for the Company is only from operating lease of Manufacturing Facilities. There is a considerable decrease in Financial Charges, Personal Cost, Administrative and other expenses during the year ending under scrutiny, Because of this Your Company earned a net profit of Rs.1,89,933/-.

Risks and Concerns:

The Companies operations depend on the fluctuation in prices and its operational expenses. The state of the economy, therefore, influences the income and profitability.

ANNEXURE TO THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance:

Your Company considers good corporate Governance as a pre-requisite for meeting the needs and aspiration of its shareholders and other stakeholders in the company and firmly believes that the same could be achieved by maintaining transparency in its dealings and practices, clear accountability, integrity and strict regulatory compliance.

2. Board of Directors:

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

| Category | Name of the Director |
|----------------------|--------------------------------|
| Chairman & Director | Sri. S. Suresh |
| Independent Director | Sri. S Lakshmi Narayana Murthy |
| Independent Director | Sri. G.Ananda |