

**TWENTY FIRST** ANNUAL REPORT  
2011-2012

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**SHIMOGA TECHNOLOGIES LIMITED**



## **SHIMOGA TECHNOLOGIES LIMITED**

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### **BOARD OF DIRECTORS**

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

### **AUDITORS**

Naik & Shah  
Chartered Accountants,  
#5/B, GEF Block, 1st Main, 1st Cross,  
Rajajinagar Industrial Town,  
Bangalore - 560 010.

### **REGISTRAR AND TRANSFER AGENTS**

Integrated Enterprises (India) Limited  
30, Ramana Residency,  
4th Cross, Sampige Road, Malleswaram,  
Bangalore - 560 003.

### **REGISTERED OFFICE**

# 135/3A, 11th Cross,  
Malleswaram,  
Bangalore - 560 003.

### **WORKS**

Plot Nos. N 12 & 13,  
Industrial Estate,  
Sagar Road  
Shimoga – 577 204.  
Karnataka

## **NOTICE**

**Notice** is hereby given that Twentyfirst Annual General Meeting of the Members of **SHIMOGA TECHNOLOGIES LIMITED** will be held at Soundarya Hall, Malleswaram Association, No.110, 7th Cross, Malleswaram, Bangalore – 560 003 on Monday, 24th September, 2012 at 11.00 A.M to transact the following business :

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at March 31,2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Suresh Shastry, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### **SPECIAL BUSINESS:**

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

"RESOLVED THAT consent of the Company be and is hereby accorded, pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act,1956, to the Board of Directors of the Company to extend the lease period of the Plant and Machinery, both present and future, belonging to the Company, to M/s. Smiths & Founders (India) Limited, Bangalore, (erstwhile M/s. Bhagavathi Enterprises Limited) for a further period not exceeding 3 years with effect from 01.04.2012 or sanction of the Rehabilitation Scheme of the Company, which inter alia envisages amalgamation of M/s. Smiths & Founders (India) Limited with the Company, by the Hon'ble Board for Industrial and Financial Reconstruction, whichever is earlier.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to sign all such documents as may be necessary, expedient and incidental thereto to give effect to this resolution".

**By the Order of the Board**

Place: Bangalore  
Date: 30.07.2012

SURESH SHASTRY  
*Director*

### **NOTES:**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act,1956 is annexed hereto.
2. **A member entitled to attend and vote at the meeting 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. The instrument appointing the proxy should, however be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.**
3. Register of Members and Share Transfer Books of the Company will remain closed from 19.09.2012 to 24.09.2012 ( both days inclusive ).
4. Members are requested to bring their Admission Slips with their copy of the Annual Report to the meeting.
5. 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 Government'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.
6. 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 (3) E-mail Id.
7. Your Company supports in full measure the 'green initiative' of the Ministry of Corporate Affairs under which, service of notices/documents including Annual Report, can be effected by sending the same through electronic mode to the registered e-mail addresses of the shareholders. To support this green initiative of the Government, members who would like to receive such notices/documents in electronic mode and who have not registered their e-mail addresses so far, are requested to do so by sending a request to the Company's Share Transfer Agent mentioning their folio number and e-mail addresses to which such documents can be sent. For shareholders holding shares in electronic form, such request can also be sent electronically to mail@shimogatechnologies.com from the same e-mail address registered with the depository participants.



## SHIMOGA TECHNOLOGIES LIMITED

8. The information as required to be provided under the Listing Agreement with the Stock Exchange, regarding the Director who is proposed to be appointed/re-appointed is given hereunder:

Name	<b>Mr. SURESH SHASTRY</b>
Age	56 years
Qualifications	Advanced Diploma in Forge Technology from the National Institute of Foundry & Forge Technology, Ranchi.
Expertise	Over 32 years experience in Forging Industry
Shareholding	6320 Equity Shares of Re.1/- Paid Up
Other Directorships / Committee Memberships	Nil

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

#### Item No.4

Members will recall that at their Extra Ordinary General Meeting held on 20.03.2009, members had consented leasing of land, building, plant and machinery, etc. both present and future belonging to the Company to M/s. Smiths & Founders (India) Limited (erstwhile Bhagavathi Enterprises Limited), for a period not exceeding 3 years.

Accordingly the Board of Directors entered into Lease Agreement with M/s. Smiths & Founders (India) Limited for leasing of its Land, Building, Plant and Machinery situated at Plot No. N 12 and N 13, Industrial Estate, Sagar Road, Shimoga for a period of 11 months each with effect from 01.04.2009 upto 31.12.2011 and thereafter extended the last lease agreement for a further period of 3 months upto 31.03.2012 as the 3 year consent given by the members expired on 31.03.2012.

As the Draft Rehabilitation Scheme of the Company, which inter alia envisages amalgamation of M/s. Smiths & Founders (India) Limited with the Company, is yet to be sanctioned by the Hon'ble Board for Industrial & Financial Reconstruction (BIFR), the Board of Directors at their Board Meeting held on 26.03.2012 accorded approval for extension of Lease of Plant and Machinery, both present and future, belonging

to the Company to M/s. Smiths & Founders (India) Limited for a further period of 3 years with effect from 01.04.2012 or sanction of the Rehabilitation Scheme of the Company, which inter alia envisages amalgamation of M/s. Smiths & Founders (India) Limited with the Company, by the Hon'ble BIFR, whichever is earlier, subject to the confirmation by the members in the ensuing Annual General Meeting.

None of the Directors are interested in this resolution except that Mr. Suresh Shastry, Director, is related to the Directors of M/s. Smiths & Founders (India) Limited.

The Board recommends the resolution as set out at Item No.4 of the Notice for your approval.

**By the Order of the Board**

Place: Bangalore  
Date: 30.07.2012

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

**SURESH SHASTRY**  
**Director**

## **DIRECTORS' REPORT**

Dear Members,

Your Directors present the Twentyfirst Annual Report together with the Audited Accounts for the year ended 31st March 2012.

### **1. FINANCIAL RESULTS.**

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

<b>Particulars</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
Revenue from operations	<b>0.00</b>	0.00
Other Income	<b>34.20</b>	45.69
Profit / (Loss) before Financial Charges, Depreciation, Taxation and Prior Period items	<b>19.05</b>	32.03
Less: Financial Charges	<b>0.01</b>	6.73
Profit / (Loss) before Depreciation, Taxation and Prior Period items	<b>19.04</b>	25.30
Less: Depreciation	<b>19.76</b>	20.53
Profit / (Loss) before Taxation and Prior Period items	<b>(0.72)</b>	4.77
Less: Taxation (Including Deferred Tax)	<b>0.00</b>	0.00
Profit / (Loss) for the year	<b>(0.72)</b>	4.77
Less: Prior period items	0.00	0.80
Less: Write off	<b>0.86</b>	0.00
Net Profit / (Loss) for the year	<b>(1.59)</b>	3.96
Balance of Profit / (Loss) brought forward from last year	<b>(590.71)</b>	(594.67)
Profit / (Loss) Carried forward to Balance sheet	<b>(592.30)</b>	(590.71)

### **2. OVERVIEW OF COMPANY PERFORMANCE:**

During the year under review, the Company has incurred a net loss of Rs.1.59 Lakhs as against a net profit of Rs.3.96 lakhs for the previous year ended 31st March 2011. The Company does not have any income from operations. The main source of income is lease rentals.

### **3. DIVIDEND:**

In view of loss incurred by the Company, your Directors do not recommend any dividend for the financial year ended 31st March 2012.

### **4. DIRECTORS:**

None of the Directors are disqualified as on 31st March 2012 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

Mr. Suresh Shastry retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment.

### **5. REHABILITATION SCHEME STATUS:**

Members may recall that in the Annual General Meeting held on 30th September 2010 the Shareholders

approved Reduction of Paid up Equity Share capital of the Company from Rs.4,32,00,000/- divided into 4,32,00,000 shares of Re.1/- each into Rs.43,20,000/- divided into 43,20,000 shares of Re.1/- each by cancelling Rs.3,88,80,000/- divided into 3,88,80,000 equity shares of Re.1/- each of the Paid up Equity capital, which is unrepresented by available assets. In the same meeting, the Shareholders also approved Amalgamation of Smiths & Founders (India) Limited (erstwhile Bhagavathi Enterprises Limited) with the Company.

In pursuance of the above, during the year 2010-11, the Board arranged to get the business valuation of the Company as at 31.12.2010 and also obtained business valuation of the Amalgamating Company, Smiths & Founders (India) Limited (erstwhile Bhagavathi Enterprises Limited) as on that date. Based on the valuations of the two Companies, the Statutory Auditors of the Company recommended a share exchange ratio of 5:2, ie. 5 fully paid Equity Shares of Re.1/- each of the Company against every 2 fully paid Equity Shares of Re.1/- each of the Amalgamating Company.

Based on the above guidelines, a Draft Rehabilitation Scheme (DRS), involving 90% Capital reduction and



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5:2 share exchange ratio was formulated and forwarded to the Amalgamating Company for their approval. After obtaining their 'in-principle' approval, the DRS was presented to IDBI Bank (the Operating Agency (OA) appointed by the Hon. Board for Industrial and Financial Reconstruction (BIFR).

During the year 2011-12, based upon the audited and adopted financials as at 31.03.2011, the business of both the amalgamating Companies were once again valued and on the basis of these valuations, the Statutory Auditors of the Company once again reworked and recommended the same exchange ratio of 5:2, ie. 5 fully paid Equity Shares of Re.1/- each of the Company against every 2 fully paid Equity Shares of Re.1/- each of the Amalgamating Company. The recommendations have been submitted to IDBI Bank.

The Hon. BIFR in their last hearing held on 16th May, 2012 have directed the Company to submit clarifications / details sought by the OA on the DRS, and have directed the OA to examine the DRS and submit the same to the Hon. BIFR.

### 6. DIRECTORS RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956, your Directors 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 31st March, 2012 and its loss for the year ended on that date;
- 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. CORPORATE GOVERNANCE:

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report along with report on Corporate Governance.

### 8. MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report forms part of this Report.

### 9. COMPLIANCE CERTIFICATE:

Secretarial Compliance Certificate from Mr. Vighneshwar Bhat, Practicing Company Secretary, under the provisions of Section 383A of the Companies Act, 1956 is annexed herewith to this Report.

### 10. RELATED PARTY DISCLOSURES:

As regards to related party disclosures, one of the Directors of the Company is related to Directors of Smiths & Founders (India) Limited (Erstwhile Bhagavathi Enterprises Limited), a closely held public limited company. 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 as a matter of prudence. For details of transactions with Smiths & Founders (India) Limited (Erstwhile Bhagavathi Enterprises Limited) during the year 2011-12, please refer point 6 of Notes on accounts.

### 11. AUDITORS

The Company's Auditors, M/s. Naik & Shah, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

### 12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars prescribed under Section 217(1)(e) of the Companies Act, 1956, are given in Annexure A, which forms part of this Report.

### 13. PARTICULARS OF EMPLOYEES:

The Company has no employees, therefore the statement 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.

### 14. ACKNOWLEDGEMENTS:

Your Directors thank the Members, Government Authorities, Customers and Vendors for their continued unstinted support to the Company.

By the Order of the Board

Place: Bangalore  
Date: 30.07.2012

SURESH SHASTRY  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT**

**FORM NO. A**

**DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	<b>Year Ended 31.03.2012</b>	<b>Year Ended 31.03.2011</b>
<b>A) POWER &amp; FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
a. Purchased Units	—	—
Total Amount (Rs.)	—	—
Rate/Units (Rs.)	—	—
b. Own Generation		
i. <b>Through Diesel Oil</b>		
Units per litre of Diesel	—	—
Oil Cost/Unit (Rs.)	—	—
ii. <b>Through Steam Turbine</b>		
Generator Units	—	—
Units per litre of	—	—
Fuel/Oil/Gas Cost/Unit (Rs.)	—	—
<b>2. Coal (specify quality &amp; where used)</b>		
Total Cost	—	—
Average Rate	—	—
<b>3. Furnace Oil</b>		
Quantity (K.Litre)	—	—
Total Amount (Rs.)	—	—
Average Rate	—	—
<b>4. Others/internal generation</b>		
(Please give details)		
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

**B. CONSUMPTION PER UNIT (Nos.) OF PRODUCTION**

	<b>Year Ended 31.03.2012</b>	<b>Year Ended 31.03.2011</b>
Products (With details-unit electricity)	—	—
Coal (Specify Quality)	—	—
Furnace Oil	—	—

**TECHNOLOGY ABSORPTION**

No items to disclose under this head

**FOREIGN EXCHANGE EARNING AND OUTGO**

No Foreign Exchange Earnings or Outgo during the year under review.

**By the Order of the Board**

Place: Bangalore  
Date: 30.07.2012

SURESH SHASTRY  
*Chairman*



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Structure and Developments:**

The Company does not have any income from operations. Its main source of income presently is lease rentals from its manufacturing facilities. The Company is looking forward to approval of its Rehabilitation Scheme by the Board for Industrial and Financial Reconstruction ('BIFR') for resumption of its operations. The Company has implemented necessary steps to reduce the operating and administrative expenses, to curtail the costs.

### **Opportunities and Threats:**

Despite signs of recession worldwide, the ability of the auto industry to sustain its growth, though at a lower rate, is a pointer indicating that opportunities for the Company to expand its business exist. The accumulated loss of the Company is a constraint for growth of business. Proposed reduction of the existing share capital and amalgamation with Smiths & Founders (India) Limited (formerly Bhagavathi Enterprises Limited), which is a healthy Company, provides an opportunity for the growth of the organisation.

The major perceivable threats are liquidity, interest rates, increasing price of the raw materials, political stability and economic scenario.

### **Outlook:**

The Company is confident of improved performances in the coming years consequent to approval of its Rehabilitation Scheme by BIFR and its successful implementation. The Company not only expects improved working results but also increase in the market value of its shares.

### **Risks and Concerns:**

The Company's operations are dependent on the fluctuation in prices and its operational expenses. The state of the economy, therefore, influences the income and profitability.

### **Internal Control Systems and their adequacy:**

According to the size of the Company, Company has in place a strong Internal Control System.

### **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, Personnel cost, Administrative and Other expenses during the year ending under scrutiny.

### **Human Resource Development:**

Other than the Directors, there are no employees in the Company as they have resigned from the Company with effect from 01.04.2009.

### **Cautionary Statement:**

Certain statements in this report, which are based on certain assumptions and expectations of future events, which may be forward looking statements within the meaning of applicable laws and regulations. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, actual results or performance could differ materially from such expectations, projections, etc whether express or implied as a result of among other factors, change in economic conditions affecting demand and supply, success of business and operating initiatives and restructuring objectives, change in regulatory environment, other government actions including taxation, natural phenomena such as earthquakes, floods, etc over which the Company does not have any direct control.

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## **ANNEXURE TO THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE**

### **1. COMPANY'S PHILOSOPHY ON CORPORATE 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:**

**a) Composition and Size of the Board.**

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

Category	Name of the Director
Non-Executive Director ( Promoter Group )	Sri. Suresh Shastry, Chairman
Independent Director	Sri. S Lakshmi Narayana Murthy
Independent Director	Sri. G. Ananda

**b) Directors Attendance Record and Directorship Held.**

Details of Directors attendance at Board Meetings during the year, last Annual General Meeting held on 29th September, 2011 and also the number of Directorships and Committee memberships held by them in other Companies are given below:

Name of the Directors	Number of Board Meetings during the year 2011-12		Whether attended Last AGM	Number of Directorships in other public Companies*	Number of Committee Memberships held in public Companies*	Number of Committee Chairmanships held in public Companies*
	Held	Attended				
Sri.Suresh Shastry DIN 01099554	6	6	Yes	Nil	2	NIL
Sri. S.Lakshmi Narayana Murthy DIN 02725892	6	6	Yes	Nil	2	1
Sri. G.Ananda DIN 02264489	6	4	Yes	Nil	2	1

\* excluding Private Limited Companies and Companies under Section 25 of the Companies Act, 1956.

**c) Number of Board Meetings:**

Six Board Meetings were held during the year 2011-12 and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held were 30th May 2011, 30th July 2011, 30th August 2011, 14th November 2011, 10th February 2012 and 26th March 2012.

**3. AUDIT COMMITTEE:**

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292(A) of the Companies Act, 1956.

The terms of reference of the Audit Committee cover all areas prescribed by Clause 49 of the Listing Agreement and include the following:

The Audit Committee comprises of a) Sri. G.Ananda, Chairman and Non Executive Independent Director b) Sri. Suresh Shastry, Non Executive Director and c) Sri. S.Lakshmi Narayana Murthy, Non Executive Independent Director. The Chairman of the Committee is a B.Sc., A.M.I.E, PGDM from IIM and carries wide experience of working at different levels in various Companies. The other members of the Committee have good knowledge of finance, accounts and business management.

The Audit Committee has been granted powers as prescribed under Clause 49 II (C) of the Listing Agreement.

The Audit Committee met four times during the year 2011-2012 and the gap between two meetings did not exceed four months. The dates on which the Audit Committee Meetings were held are as follows: 30th May 2011, 30th July 2011, 14th November 2011 and 10th February 2012.