

**TWENTY SECOND**  
**ANNUAL REPORT**  
**2012-2013**



**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,  
21/2, Madhuvana, New High School Road,  
Vishvespuram,  
Bangalore - 560 004.

### 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 Twenty Second Annual General Meeting of the Members of **SHIMOGA TECHNOLOGIES LIMITED** will be held at MEWS Ladies Club, No.37, 17th Cross, (between 4th & 6th Main), Malleswaram, Bangalore - 560 055 on Saturday, 28th September, 2013 at 10.00 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013 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. G. Ananda, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. B.N. Subramanya & Co., Chartered Accountants, (Firm Registration No.FRN004142S) (in respect of whom notice in writing from a member of the Company signifying his intention to appoint them as Auditors of the Company has been received pursuant to Section 225(1) of the Companies Act,1956) be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, M/s. Naik & Shah, Chartered Accountants ( who have not offered themselves for re-appointment as Auditors of the Company), to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors of the Company in addition to reimbursement of out-of-pocket expenses as may be incurred by them during the course of Audit".

**By the Order of the Board**

SURESH SHASTRY  
*Director*

### REGISTERED OFFICE:

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

Place: Bangalore  
Date: 28.08.2013

### NOTES:

1. 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.
2. Register of Members and Share Transfer Books of the Company will remain closed from 23.09.2013 to 28.09.2013 ( both days inclusive ).
3. Members are requested to bring their Admission Slips with their copy of the Annual Report to the meeting.
4. 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.
5. Members are requested to a) intimate to the Company's Registrar and Transfer Agents, changes, if any, in their registered addresses at an early date, in case of Shares held in physical form; b) intimate to the respective Depository Participant, changes, if any, in their registered address at an early date, in case of Shares held in dematerialised form; c) quote their folio number/Client ID/DP ID in all correspondence and d) consolidate their holdings into one folio in case they hold Shares under multiple folios in the identical order of names.
6. 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

7. **Appointment / re-appointment of Directors** : 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. G. ANANDA</b>
Age	61 years
Qualifications	B.Sc , A.M.I.E and PGDM
Expertise	Worked as Factory Manager in Asian Paints Ltd. Worked as General Manager in <ol style="list-style-type: none"><li>1. Egyptian American Paint Co. Ltd.</li><li>2. Arvind Cotspin Ltd.</li><li>3. Bombay Oil Industries Ltd.</li></ol> As CEO in RM Mohite Textiles Ltd.
Shareholding	Nil
Other Directorships / Committee Memberships	Nil

8. **Appointment of Auditors** : M/s. Naik & Shah, Chartered Accountants, the Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting. The retiring auditors have not offered themselves for reappointment. It is proposed to appoint M/s. B.N. Subramanya & Co., Chartered Accountants, as Auditors of the Company in place of the retiring auditors. The Company has obtained a written consent from M/s. B.N. Subramanya & Co., to the effect that their appointment, if made, will be within the limits specified under Section 224(1B) of the Companies Act,1956.

**By the Order of the Board**

SURESH SHASTRY  
*Director*

**REGISTERED OFFICE:**

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

Place: Bangalore  
Date: 28.08.2013

## **DIRECTORS' REPORT**

Dear Members,

Your Directors present the Twenty Second Annual Report together with the Audited Accounts for the year ended 31st March 2013.

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

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

<b>Particulars</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
Revenue from operations	<b>0.00</b>	0.00
Other Income	<b>4.10</b>	34.20
Profit /(Loss) before Financial Charges, Depreciation, Taxation and Prior Period items	<b>(9.49)</b>	19.05
Less: Financial Charges	<b>0.06</b>	0.01
Profit /(Loss) before Depreciation, Taxation and Prior Period items	<b>(9.55)</b>	19.04
Less: Depreciation	<b>19.89</b>	19.76
Profit /(Loss) before Taxation and Prior Period items	<b>(29.44)</b>	(0.72)
Less: Taxation (Including Deferred Tax)	<b>0.00</b>	0.00
Profit /(Loss) for the year	<b>(29.44)</b>	(0.72)
Less: Prior period items	<b>0.00</b>	0.00
Less: Write off	<b>0.00</b>	0.86
Net Profit/(Loss) for the year	<b>(29.44)</b>	(1.59)
Balance of Profit/(Loss) brought forward from last year	<b>(592.30)</b>	(590.71)
Profit/(Loss) Carried forward to Balance sheet	<b>(621.74)</b>	(592.30)

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

During the year under review, the Company has incurred a net loss of ₹ 29.44 Lakhs as against a net loss of ₹ 1.59 lakhs for the previous year ended 31st March 2012. 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 2013.

### **4. DIRECTORS:**

None of the Directors are disqualified as on 31st March 2013 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

Mr. G.Ananda 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 ₹ 4,32,00,000/- divided into 4,32,00,000 shares of ₹ 1/- each into ₹ 43,20,000/- divided into 43,20,000 shares of ₹1/- each by cancelling ₹ 3,88,80,000/- divided into 3,88,80,000 equity shares of ₹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 ₹ 1/- each of the Company against every 2 fully paid Equity Shares of ₹ 1/- each of the Amalgamating Company.

During the year, on 14th August, 2012, a fully tied up Draft Rehabilitation Scheme (DRS), considered viable was submitted by IDBI Bank Ltd., the Operating



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Agency appointed by the Hon. Board for Industrial and Financial Reconstruction (BIFR) to Hon.BIFR for their consideration. On examination of the DRS, the Hon. BIFR observed certain deficiencies. The deficiencies were addressed to the satisfaction of the Hon.BIFR. Thereafter, the Hon. BIFR in its hearing held on 18th April 2013 have directed IDBI Bank to submit modified DRS to the Board, which has been since done. The modified DRS is now under examination of office of 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, 2013 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, 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 in both 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 during the year 2012-13, please refer point 4 of Notes on accounts.

### 11. AUDITORS

The Company's Auditors, M/s. Naik & Shah, Chartered Accountants, retire at the ensuing Annual General Meeting and have expressed their inability to continue as Auditors of the Company. M/s. B.N. Subramanya & Co., Chartered Accountants, have intimated their willingness, if appointed, to act as Auditors of the Company. The Board recommend their 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: 28.08.2013

**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

	Year Ended 31.03.2013	Year Ended 31.03.2012
<b>A) POWER &amp; FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
a. Purchased Units	—	—
Total Amount (₹)	—	—
Rate/Units (₹)	—	—
b. Own Generation		
i. <b>Through Diesel Oil</b>		
Units per litre of Diesel	—	—
Oil Cost/Unit (₹)	—	—
ii. <b>Through Steam Turbine</b>		
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 (K.Litre)	—	—
Total Amount (₹)	—	—
Average Rate	—	—
<b>4. Others/internal generation</b>		
(Please give details)		
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

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

	Year Ended 31.03.2013	Year Ended 31.03.2012
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: 28.08.2013

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 rentals from leasing of 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 current slowdown, the long term growth forecast for the Indian economy continues to be healthy. Increase in income levels and lifestyle aspirations, will drive ahead demand in the auto industry. The auto industry being a major contributor to the economy with its potential for employment, support from the Government for its development could be expected at all times. Though the accumulated loss of the Company is constraint for growth of the business, the proposed capital reduction and amalgamation with Smiths & Founders (India) Limited, provides an opportunity for vertical growth of the Company in future.

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

### Outlook:

With the timely onset of monsoon across the country, the Indian economy is projected to grow rapidly and demand conditions are expected to remain strong. Given the Automotive and Farm Equipment sectors with their updated product portfolios and continued exploration of global horizons is expected to strive to maintain their leadership position in their respective markets, the Company is confident of improved performance in the years to come. The imminent approval of the Rehabilitation Scheme by BIFR will give a

boost not only towards 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:

The Financial Statement have been prepared in compliance with the requirement of the Companies Act, 1956. During the year under review, the income for the Company is only from operating lease of Manufacturing Facilities. There is a modest reduction in Administrative and Other expenses during the year ending under scrutiny.

### Human Resource Development:

Other than the Directors, there are no employees in the Company.

### Cautionary Statement:

Certain statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.



## **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 stakeholders 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:

<b>Category</b>	<b>Name of the Director</b>
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 24th September,2012 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 2012-13		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	6	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 2012-13 and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held were 28th May 2012, 30th July 2012, 13th August 2012, 9th November 2012, 31st January 2013 and 9th March 2013.

**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 292A 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 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 vide experience of working at different levels in various Companies. The other members of the Committee have good knowledge of finance, accounts and business management.