



SHIMOGA TECHNOLOGIES LIMITED

**EIGHTEENTH
ANNUAL REPORT**

2008 - 2009



SHIMOGA TECHNOLOGIES LIMITED

BOARD OF DIRECTORS

SURESH SHASTRY

Chairman & Director

(w.e.f 1.4.2009 Chairman & Director)

SHAILAJA SURESH

Director *(Resigned w.e.f 14.3.2009)*

G.ANANDA

Director *(w.e.f 18.09.2008)*

S. LAKSHMINARAYANA MURHTY

(Additional Director w.e.f. 31.07.2009)

Dr.M.S.RAMAPRASAD

Director *(Resigned w.e.f 31.7.2009)*

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 Patrawala Industrial Estate,

20 Dr. E. Moses Road

Mahalaxmi

MUMBAI – 400 011

REGISTERED OFFICE

135 / 3A, 11th Cross,

Malleswaram

Bangalore – 560 003

WORKS

Plot Nos. 12 & 13

Industrial Estate

Sagar Road

Shimoga – 577 204, Karnataka

NOTICE

Notice is hereby given that **Eighteenth Annual General Meeting of Shimoga Technologies Limited** will be held on Friday the 25th September 2009 at 10.00 A.M. at Seva Sadan Association, 14th Cross, Malleswaram, Bangalore - 560 003 to transact the following business:

ORDINARY BUSINESS:

1. To receive and consider and adopt the audited accounts for the year ended, 31st March 2009 and the reports of 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 reappointment.
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 Messrs 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(s), the following resolution as an ordinary resolution:

"RESOLVED that Shri S. Lakshminarayana Murthy, who was appointed as an additional director by the Board on 31.07.2009 be and is hereby appointed as Director of the Company liable to retire by rotation"

By Order of the Board

(SURESH SHASTRY)

Chairman & Director

Place: Bangalore
Date: 31st July 2009

Regd. Office:
35/3A, 11th Cross,
Malleswaram,
Bangalore - 560 003

NOTES:

1. Register of Members and Share Transfer Books of the company will remain closed from 22.9.2009 to 25.9.2009(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. TSR DARASHAW LIMITED - Mumbai are the Company's Registrar and Share Transfer Agents. Shareholders are requested to send all requests for Transfer of shares, change in address, etc., to their Head Office or Branch Offices as mentioned in point No. 10.9 on page 12.
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 the Registrar and Transfer Agent: (1) PAN Number (2) Bank Account Number



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11. Appointment of Directors:

At the ensuing Annual General Meeting, Mr. Suresh Shastry retires by rotation and being eligible offers himself for reappointment. He 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:

Mr. Suresh Shastry is a Metallurgical Engineer and a specialist in Forge Technology. He is also a Promoter Director of the Company. The company will be benefited by his vast experience and hence your Directors recommend the resolution for your approval.

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 Mr. S. Lakshminarayana Murthy as an Additional Director of the Company w e f 31.07.2009. As per Sec 260 of the

Companies Act, 1956 Mr. Lakshminarayana Murthy holds office until the conclusion of this Annual General Meeting. The Board recommends his appointment as a Director and liable to retire by rotation. The information or details to be provided for the aforesaid director, under Corporate Governance Code, are as under:

Mr. Lakshminarayana Murthy is a Commerce graduate. He is a businessman with 50 years of experience. By virtue of long standing business experience, he is capable of extending valuable guidance to the company.

The company has received a notice in writing from a member of the company under Section 257 of the Companies Act, 1956 proposing Mr. S Lakshminarayana Murthy as candidate for appointment as a Director of the Company, liable to retire by rotation, at this Annual General Meeting.

None of the Directors other than Mr. S. Lakshminarayana Murthy is interested in the Resolution.

By Order of the Board

Place: Bangalore
Date: 31st July 2009

(SURESH SHASTRY)
Chairman & Director

DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

Particulars	Mr. Suresh Shastry	Mr. S. Lakshminarayana Murthy
Date of Birth	12.11.1956	04.06.1932
Qualification	Holds a specialized advanced Diploma in Forge Technology from the National Institute of Foundry & Forge Technology – Ranchi	He is a graduate in Commerce.
Expertise in Specific Functional areas	He is a Metallurgical Engineer and has 29 years of experience in Forging Industry.	He is a businessman with 50 years experience.
Directorships held in other Public Companies (excluding Foreign Companies)	Nil	Nil
Memberships/Chairmanships of Committees of other Public Companies	Nil	Nil
Number of Shares held in the Company	6,320 Equity shares of Re.1 paid up.	Nil

DIRECTORS' REPORT

Your Directors hereby present the **Eighteenth Annual Report** and the Audited Accounts for the year ended 31st March 2009.

PERFORMANCE:

The year under review has been a very tough year for the company. Your Company has recorded a sales turnover of Rs.818.70 lakhs as against Rs.1147.52 lakhs for the previous year. i.e., 28.65% reduction in its turnover, due to severe economic recession.

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 2009

DIRECTORS:

Mr. Suresh Shastry, Director retires by rotation and is eligible for re-appointment.

Mr. Lakshminarayana Murthy was appointed by the Board as Additional Director on 31.7.2009

In view of the lease arrangement with Bhagavathi Enterprises Limited, Mr.Suresh Shastry, Chairman and Managing Director has relinquished his post as Managing Director with effect from 1.4.2009 and is functioning as Chairman and Director only without any managerial remuneration.

Your directors Mrs. Shailaja Suresh and Dr.M.S. Ramaprasad resigned w.e.f 14.3.2009 and 31.7.2009 respectively. The Board of Directors, place on record sincere appreciation for the contributions during their association with the Company.

FIXED DEPOSITS:

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

AUDITORS:

The Company's Auditors, Mr.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. Further all the employees of the Company have resigned at the close of business hours of 31/3/2009 due to the lease arrangement with M/s Bhagavathi Enterprises Ltd w.e.f 1.4.2009.

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 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. As approved by the Shareholders in the EGM held on 20.3.2009, to curtail future losses it was resolved to lease the manufacturing facilities of the Company to Bhagavathi Enterprises Ltd, Bangalore with effect from 1.4.2009. As per the said resolution the manufacturing facilities of the Company have been leased out to Bhagavathi Enterprises Limited, Bangalore for a period of 11 months renewable for a period not more than 3 years. In order to tide over the present financial exigencies the Chairman has lent a sum of Rs.1 Crore to the Company on 30.1.2009 at an interest rate of 15% PA. 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 2008-09, please refer point 12 of Schedule-VII.

De-listing of Securities

Company's securities have been delisted from Madras stock exchange w.e.f 15.10.2008.

AUDITOR'S QUALIFICATIONS:

Regarding Auditors qualifications, the Directors state as follows:

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

2. For Item 4(vi)(b) of Audit Report read with Note No.5(i) of Schedule VII

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 on sales tax, as the matter is sub-judice.



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3. For Item 4(vi)(c) of Audit Report read with Note No.8 of Schedule VII

- 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.
- The Company has requested all the creditors and debtors to confirm the balances and it has obtained confirmations from more than 99% from its Debtors and 58% of its Creditors. Confirmation from banks have been obtained for more than 95% of the balances.

4. For Items 4(vi)(d) of Audit Report read with Note No.5(ii) to 5(v) of Schedule VII and Item No.(iv) of Annexure to Audit Report

The company is in process of filing the necessary applications / appeals for reduction / deletion of demands to Commercial Tax / Provident Fund authorities for rectification of mistakes in the assessment orders / demands concerned.

5. For Item No. vii of Annexure to Audit Report:

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

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

- The company has paid the statutory dues, however due to financial crunch at times, the company has delayed in payment.
- 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 negotiate and settle the dues.

7. For the Items No. x and xi of the Annexure to the Audit Report:

As already stated in Note No. 2 of Schedule VII 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, Financial institution and Suppliers is a pointer to the direction of management's plans and recovery actions.

8. For the Item No xvii of the 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 essential fixed assets.

9. For the Item No. i(c) of the Annexure to the Audit Report:

The company has leased out the premises to stop the continuous losses and to have time to bargain with the creditors for the reduction in the payments due.

10. For Item No. 5(iii) of Schedule VII

The company could not pay the Professional Tax dues, due to funds constraints and the returns were not accepted without payment of tax.

11. For Item No. 4(vi)(e) of Auditor's Report:

All the employees of the company have resigned on 31.3.2009. The liability for gratuity was computed on the basis of 15 days salary for each completed years of service. Since the amount arrived by this method was higher than the amount estimated by LIC, provision has been made for the higher amount.

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, 2009 and the loss for the year ended on that date.
- The Directors have taken proper and sufficient care for the maintenance of 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 the Company has leased out the manufacturing facilities because, the manufacturing facilities are still in use and taking into account the short period of lease and the management's assessment of improvement in the economic conditions in future.

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 Exchanges 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.

ACKNOWLEDGEMENTS:

The Directors wish to thank the Company's Bankers, Financial Institutions, Government authorities, customers and the suppliers for their unstinted support extended to the

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

For and on behalf of the Board of Directors

Place: Bangalore
Date: 31.7.2009

(SURESH SHASTRY)
Chairman and Director

ANNEXURE TO THE DIRECTORS' REPORT FORM NO. A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Year Ended 31.03.2009	Year Ended 31.03.2008
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a. Purchased Units	978,004	1,391,557
Total Amount (Rs.)	4592478	6,403,073
Rate/Units (Rs.)	4.70	4.60
b. Own Generation		
i. Through Diesel Oil	4548.8	16,247.6
Units per litre of Diesel	2.44	3.00
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	281.66
Total Amount (Rs.)	2,971,767	6,295,792
Average Rate	24,269/ MT	22,352 /MT
4. Others/internal generation (Please give details)		
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standard If any	Year Ended 31.03.2009	Year Ended 31.03.2008
Products (with Details-Unit Electricity)	—	1042 Units/MT	755 Units/MT
Coal (Specify Quality)	—		—
Furnace Oil	—	130 MT	151 MT

For and on Behalf of the Board of Directors

Place: Bangalore
Date: 31.7.2009

(SURESH SHASTRY)
Chairman & 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.

Overview:

The company has discontinued its operations and leased out its factory w.e.f 1.4.2009 to

- Curtail future losses.
- Gain sufficient time to negotiate with creditors and the Government to reduce liability.
- To re-start the operations after consolidation.

Opportunities

Though the international scenario at present is at downward trend for Auto industry, there is an expectation of a turnaround. Moreover Auto industry is an essential part of the present way of living and is an inevitable component in today's living style. All the Domestic auto majors have stepped up their production and most of the International giants are in 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, to the Customers.

Threats

The major perceivable threats are fluctuation in steel and petroleum prices, interest rates, political stability and the overall economic scenario. Although the Company makes all out effort to improve productivity, reduce waste and cut

overhead expenses, if the user industry fails to absorb the increases in costs and if the Company is made to absorb whole of these increases, it would adversely effect the profitability.

Outlook

The Country is witnessing a turnaround in the industrial production curve, which is expected to sustain in the years to come and offer a good opportunity for growth.

Technology

The in-house technical and commercial teams consistently engage themselves in indigenization of technology and implementation of value engineering and cost saving methods.

Internal Control Systems and their adequacy

The company has adequate internal control procedure in place, duly supplemented by an Internal Audit System.

Human Resource Development

The company conducts regular training programs, both internally and externally for employees, to develop individual personality and to improve work skills.

Financial Performance

During the year under review, in-view of severe resource constraint, your company's sales have reduced from Rs.1147.52 lakhs to 818.70 lakhs, down by 328.82 lakhs. Even when the raw material price has gone up by 22.57% and that of other consumables have increased by more than 8.01%, the loss before tax prior period items has reduced from Rs.113.17 lakhs to Rs. 43.33 lakhs.

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.

**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, internal controls, risk management, safety, health, 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 to meet the obligations to statutory authorities, 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	Mr. Suresh Shastry
Non-Executive Director	Mrs. Shailaja Suresh (upto 13.3.2009)
Independent Director	Mr. G.Ananda
Independent Director	Dr. M.S.Ramaprasad (upto 31.7.2009)

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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 Number 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				
Mr. Suresh Shastry	10	10	Present	Nil	1	1
Mrs. Shailaja Suresh	8	6	Present	Nil	2	1
Mr. M.S. Ranganath (resigned w.e.f 2.8.2008)	3	3	N.A	2	1	1
Mr. G.Ananda (from 2.8.2008)	7	7	Present	Nil	2	2
Dr.M.S.Ramaprasad (from 2.8.2008)**	7	6	Present	Nil	1	-
Mr. M.H.R. Rao (resigned w.e.f 2.8.2008)	3	3	N.A	Nil	1	-

@ 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:

Ten Board Meetings were held during the period -

The dates on which the meetings were held were 28th April 2008, 30th June 2008, 31st July 2008, 2nd August 2008, 31st October 2008, 29th December 2008, 31st January 2009, 04th February 2009, 16th March 2009 & 23rd March 2009.

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

3. AUDIT COMMITTEE:

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

To review reports of the internal audit and discuss periodically with the Internal Auditor; to meet the Statutory Auditors to discuss their findings, suggestions and other related matters; and to review weakness in internal controls reported by the Internal and Statutory Audit and to review this periodically.

The company has reconstituted the Audit Committee on 2.08.2008 by appointing Mr. G.Ananda and Dr.M.S.Ramaprasad as independent & non-executive Directors. Hence the Audit Committee of your company has three directors namely, Mrs. Shailaja Suresh and Dr. M.S.Ramaprasad under the Chairmanship of Mr. G. Ananda, who is a qualified and experienced HR Manager. The Audit Committee has been granted powers as prescribed under Clause 49 II (c) of the Listing Agreement.

The Audit Committee met five times during the year-ended 31.03.2009 on following dates:

April 28, 2008, June 30, 2008, July 31, 2008, October 30, 2008, January 31, 2009

Audit Committee meetings and attendance during the year.

Name	No. of Meetings held during his tenure	No. of Meetings Attended
Mr. M.S. Ranganath	3	3
Mrs. Shailaja Suresh	5	5
Mr. M.H.R. Rao	3	3
Mr. G.Ananda **	2	2
Dr. M.S.Ramaprasad**	2	2

** Appointed as a member of the Committee on 2.8.2008



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The terms of reference of the Audit Committee include the following:

1. Overseeing the Company's financial reporting process including Internal Audit arrangements and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with the Management the Annual Financial Statements before submission to the Board.
4. Reviewing any activity under its reference.

4. REMUNERATION OF DIRECTORS:

The Non-Executive Directors of the Company do not receive any remuneration except the sitting fee of Rs. 1000/- for each Board Meeting. The shareholders approved the remuneration package of Managing Director Shri. Suresh Shastry at the time of his appointment in 2007 and hence the remuneration committee was not constituted during 2008-2009. The Managerial remuneration under Section 198 of the Companies Act, 1956

Particulars	Year 31.3.2009	Yr.31-3.2008
	Rs.	Rs.
Remuneration (for 12 months)	600,000	575,000
Contribution to Provident Fund	72,000	69,000
Contribution to Superannuation Fund	90,000	86,250
House Rent Allowance	240,000	235,000
Perquisites:		
- Leave Travel Allowance	NIL	NIL
- Others	12,290	17,101
- Sitting Fees paid to Non Whole time Directors	25,000	22,000

5. SHARE TRANSFER-CUM- INVESTOR GRIEVANCE COMMITTEE:

The company has constituted a Share Transfer-cum-Investor Grievances Committee, comprising of Shri Suresh Shastry and Smt. Shailaja Suresh/Mr. G.Ananda (w.e.f 2.8.2008). This Committee monitors and redresses investors complaints, transfer of shares, transmission etc.,

The total no. of letters/complaints received and replied during the year to the satisfaction of shareholders is NIL and no demat request was pending for approval as on 30th June 2009

5a. Shares and Convertible Instruments held by non-executive Directors. - Nil

6. CEO CERTIFICATION

The CEO has certified compliance of Clause 49'V' of the Listing Agreement

7. GENERAL BODY MEETINGS

Location and time for the last three Annual General Meetings were:

Year	AGM	Location	Date & Time	Special Resolution passed
2005-06	AGM	Century Club, No.1, Seshadri Road, (Cubbon Park) Bangalore - 560 001	29-09-2006 at 10.00 a.m.	None
2006-07	AGM	Century Club, No.1, Seshadri Road, (Cubbon Park) Bangalore - 560 001	28-09-2007 at 10.00 a.m.	None
2007-08	AGM	Century Club, No.1, Seshadri Road, (Cubbon Park) Bangalore - 560.001	18-09-2008 at 10.00 a.m.	None

No special resolutions were passed through Postal Ballot during last year.

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8. a. **Disclosures on materially significant related party transactions** i.e. transactions of the company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large:
None of the transactions with any of the related parties were in conflict with the interest of the company.
- b. **Details of non-compliance by the company, penalties, strictures, imposed on the company by Stock Exchange or SEBI or any statutory Authority, on any matter related to capital matters, during the last three years.**
No penalty was imposed by any of the said authorities on the company during the last three years.
- c. **Whistle Blower Policy**
The Company established a mechanism for employees to report concerns about unethical behaviour fraud or violations with adequate safeguards against victimization. We affirm that during the financial year 2008 - 2009, no employee has been denied access to the Audit Committee.

9. MEANS OF COMMUNICATION:

The Quarterly, Half yearly and Annual Financial results of the company are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the newspapers as required by the Listing Agreements. The Financial Results were published in 'Financial Express' and 'Sanjevani' The Management Discussion and analysis is a part of Annual Report.

10. GENERAL SHAREHOLDER INFORMATION:

10.1. AGM :

Date and Time : 25th September 2009 at 10.00 a.m.
Venue : Seva Sadan, 14th Cross, Malleshwaram, Bangalore - 3.

10.2. Financial Calendar:

Results for the Quarter ended 30th June 2009 - 31st July 2009
Results for the Quarter ending 30th September 2009 - Last week of October 2009
Results for the Quarter ending 31st December 2009 - Last week of January 2010
Results for the Quarter ending 31st March 2010 - Last week of June 2010

10.3. **Book Closure Date :** 22nd September 2009 to 25th September 2009 (Both days inclusive)

10.4. **Dividend Payment Date :** N.A.

10.5. Listing of Equity Shares

On Stock Exchanges at : Mumbai

10.6. (a) **Stock Code:** Bombay Stock Exchange - 513418

(b) **Demat ISIN Numbers in NSDL & CDSL for Equity Shares:**

CDSL : INE 728B01024 NSDL : INE 728B01024

10.7. Stock Market Data :

MONTH	SHARE PRICE MOVEMENT 2008-09	
	SHARE PRICE at BSE (Rs.)	
	HIGH	LOW
APRIL 2008	1.65	1.40
MAY 2008	1.70	1.25
JUNE 2008	1.40	1.10
JULY 2008	1.10	0.93
AUG 2008	1.07	0.90
SEPT 2008	0.90	0.66
OCT 2008	0.61	0.45
NOV 2008	0.45	0.37
DEC 2008	0.57	0.40
JAN 2009	0.55	0.40
FEB 2009	0.45	0.35
MAR 2009	0.40	0.35



SHIMOGA TECHNOLOGIES LIMITED

10.8. Share Price performance in comparison to broad based indices - BSE Sensex :

SHARE PRICE MOVEMENTS 2008-09

Month/Year	BSE Sensex Index		SHARE PRICE at BSE (Rs).	
	HIGH	LOW	HIGH	LOW
APRIL 2008	17481	15298	1.65	1.40
MAY 2008	17736	16196	1.70	1.25
JUNE 2008	16633	13406	1.40	1.10
JULY 2008	15130	12514	1.10	0.93
AUG 2008	15580	14002	1.07	0.90
SEPT 2008	15107	12154	0.90	0.66
OCT 2008	13204	7697	0.61	0.45
NOV 2008	10945	8316	0.45	0.37
DEC 2008	10189	8467	0.57	0.40
JAN 2009	10470	8632	0.55	0.40
FEB 2009	9725	8619	0.45	0.35
MAR 2009	10127	8047	0.40	0.35

10.9 Registrar and Transfer Agents :

TSR DARASHAW LIMITED

6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai - 400 011

Tel : 022 6656 84 84

Fax : 022 6656 84 94

E-mail : csg-unit@tsrdarashaw.com

Website : www.tsrdarashaw.com

**Business Hours : 10:00 a.m. to 3.30 p.m.
(Monday to Friday)**

For the convenience of investors based in the following cities, transfer documents and letters will also be accepted at the following branches of TSR Darashaw Limited :

TSR DARASHAW LIMITED

503, Barton Centre, 5th Floor
84, Mahatma Gandhi Road,
Bangalore - 560 001

Tel : 080 25320321

Fax : 080 25580019

E-mail: tsrdlbg@tsrdarashaw.com

TSR DARASHAW LIMITED

Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata - 700 071

Tel : 033 22883087

Fax : 033 22883062

Email : tsrdlcal@tsrdarashaw.com

TSR DARASHAW LIMITED

Plot No. 2/42, Sant Vihar
Ansari Road, Daryaganj
New Delhi - 110 002

Tel : 011 23271805

Fax : 011 23271802

E-mail: tsrdldel@tsrdarashaw.com

TSR DARASHAW LIMITED

Bungalow No. 1, 'E' Road
Northern Town, Bistupur
Jamshedpur - 831 001

Tel : 0657 2426616

Fax : 0657 2426937

Email : tsrdljrs@tsrdarashaw.com

10.10. **Share Transfer System** : The Share transfer system as of now is processed by the Registrar and Transfer agent under the overall supervision of the Share Transfer Committee. Normally it will take 30 days time from the date of lodgement for process of Share Transfer, if the documents are complete in all respects.

10.11. Distribution of Shareholding as on 31st March 2009 :

Promoters Holding : 0.95%

Non-Promoters Holding:

Financial Institutions : 0.14%

OTHERS

Corporate Bodies : 7.71%

Indian Public : 91.20%

NRI's / OCB's : 0.00%

10.12. Dematerialization of Shares:

75.66% of the shares of the company are in dematerialized form up to 31st March, 2009.

10.13. Outstanding GDR / Warrants and convertible bonds, conversion : N.A.

10.14. **Plant Locations :** Shimoga Technologies Limited,
(Leased out w.e.f. 1.4.2009) Plot Nos. N-12 & N-13, Industrial Estate, Sagar Road, Shimoga - 577 204.

10.15. Investor Correspondence:

a. For shares in physical form : To Registrar and Transfer Agents

b. For Shares in Demat Form : To the Depository Participant

Declaration:

(As required under Clause 49 of the Listing Agreement code of conduct)

I, Suresh Shastry, Chairman & Director of SHIMOGA TECHNOLOGIES LIMITED, to the best of my knowledge & belief, hereby declare that all the Board Members, Senior Management personnel have affirmed compliance with the Company code of conduct for the year ended March 31, 2009.

Place: Bangalore
Date : 31.7.2009

SURESH SHASTRY
Chairman & Director

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the Members of

SHIMOGA TECHNOLOGIES LIMITED

I have examined the compliance of conditions of Corporate Governance by Shimoga Technologies Limited, for the year ended 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, and based on the

representations made by the directors and the Management, the company has complied with in all material respects the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **H.R. Sudarshan & Associates**
Chartered Accountants

Place : Bangalore
Date : 31.7.2009

H.R.SUDARSHAN
Proprietor
Membership Number : 27981



AUDITORS' REPORT

TO
THE MEMBERS OF SHIMOGA TECHNOLOGIES LIMITED

1. I have audited the (attached) Balance Sheet of Shimoga Technologies Limited as at 31st March 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with the auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, (together the Order) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as I considered appropriate and according to the information and explanations given to me, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to in paragraph 3 above, I report that:
 - i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - ii) In my opinion, proper books of account, as required by law have been kept by the Company so far as appears from my examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) *In my opinion the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report subject to note 4(b)(ii) of Schedule VII comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent it is applicable.*

- v) On the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, I report that none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) *Attention is invited to:*
 - a) *Note No.2 of Schedule VII regarding preparation of accounts on a going concern basis even though the net worth of the Company has been substantially eroded and leasing of the land, Building and Plant and Machinery to M/s Bhagavathi Enterprises Ltd, taking into account repayment of dues to IDBI and Bank of India and the management's assessment of improvement in the economic conditions, and the fact that manufacturing facilities are in use and the short period of lease. Accordingly, these accounts do not include adjustments aforesaid in case the management's business plans do not materialise.*
 - b) *Note No.5(i) of Schedule VII regarding non-provision of penalty proposed by sales tax authorities*
 - c) *Note No.8 of Schedule VII regarding non-obtaining of confirmation of balances in the accounts of advances, deposits, some debtors, creditors and bank accounts.*
 - d) *Note No.5(iv) of Schedule VII regarding orders passed by PF authorities levying penalties and enhancing the contribution payable for which the company is in the process of filing necessary applications/appeals for reduction/deletion of demands.*
 - e) *Provision for gratuity being made on the basis of actual amount due as against the provision being made on the basis of the amount determined by the Life Insurance Corporation of India, due to which the charge to the profit and loss account is higher by Rs.356,090/-*
The effect of (a) to (c) above could not be quantified and hence the effect on accounts of the same could not be ascertained.
- vii) Subject to the matters referred to above, and my report in the annexure, in my opinion and to the best of information and according to the explanations given to me, the said accounts read with the notes thereon gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **H.R.Sudarshan & Associates**
Chartered Accountants

Place: Bangalore
Date : 31.7.2009

H.R.SUDARSHAN
Proprietor
Membership Number : 27981

Annexure to the Auditors' Report

Referred to in paragraph 3 of my report of even date,

- i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have not been verified by the management during the year but, according to the information and explanations given to me, there is a regular programme of verification which, in my opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on physical verification and obsolete and damaged assets amounting to a net book value of Rs.10,85,646/- as reported in Sl. No. 22 of Schedule VII, Notes to Accounts have been properly dealt with in the books of account.
- (c) *There was no disposal of a substantial part of fixed assets during the year. The Company has leased its factory building and plant and machinery in order to curtail future losses, gain time to negotiate with the creditors and restart after improvement in the general economic scenario, w.e.f. 1/4/2009 for a period of 11 months which may be extended upto a maximum of three years. The assumption of a going concern has been followed in view of the reasons set forth in note no.2 of notes to accounts Schedule VII.*
- ii) (a) The inventory has been physically verified during the year by the management. In my opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and books records were not material.
- iii) (a) During the year the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the order are not applicable.
- (b) During the year the Company has not taken any loans, secured or unsecured; from companies, firms or other parties other than a director amounting to Rupees one crore as listed in the Register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of the loan are not prima facie prejudicial to the interests of the company. The company has been regular in payment of interest.
- iv) In my opinion and according to the information and explanations given to me, there are adequate internal control procedures to make it commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and for sale of goods and services. *Further, on the basis of my examination of the books and records of the Company, and according to the information and explanations given to me, other than items covered in Note 5 (ii) to 5(v) of Schedule VII, I have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.*
- v) (a) Based on the audit procedures applied by me and according to the information and explanations given to me, I am of the opinion that the contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In my opinion and according to the information and explanations given to me, the transactions entered in the register maintained under section 301 and exceeding during the financial year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In my opinion and according to the information and explanations given to me the Company has not accepted any deposits from the public during the year and consequently, the directives issued by the Reserve Bank of India, the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii) *The company has an internal audit system, which in my opinion needs to be improved.*
- viii) According to the information and explanations given to me, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-



SHIMOGA TECHNOLOGIES LIMITED

section (1) of Section 209 of the Companies Act, 1956 in respect of the activities carried out by the company.

ix) (a) According to the information and explanations given to me, and on the basis of my examination of the books of account, the company has not been regular in depositing with appropriate authorities undisputed statutory dues including income tax deducted at source, excise duty, sales-tax/ value added tax, service tax, entry tax, and professional tax. Barring a few instances, the company has been regular in

payment of Provident Fund and Employees State Insurance dues.

(b) According to the information and explanations given to me, and on the basis of my examination of the books of account, the following undisputed dues in respect of sales tax, entry tax, service tax, income tax deducted at source, provident fund, professional tax and employees' state insurance dues are outstanding as at 31, March 2009 for a period of more than six months from the date they became payable.

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
The Central Sales Tax Act, 1956	CST Payable including interest on delayed payment	7,925	Aug 02 to May 03	On monthly basis, on 20th of the following month	Not Yet Paid
		22,416	2002-03		
The Karnataka Sales Tax Act, 1957	KST Payable including interest on delayed payment	12,521	2000-01	On monthly basis, on 20th of the following month	Not Yet Paid
		1,411,122	2001-02		
		779,042	2002-03		
		1,736,485 3,794,605	2003-04 2004-05		
The Karnataka Tax on Professions, Trade and Callings Act	Profession Tax Payable including interest on delayed payment	272,021	Sept 04, Dec 04- Sept 08	On monthly basis, on 20th of the following month	Not Yet Paid
The Employees State Insurance Act,	ESI payable and interest on delayed payment of ESI	10,072	April 08 to August 08	On monthly basis, on 21st of the following month	Not Yet Paid
The Provident Fund Act,	Provident Fund and interest on delayed payment	48	April 08 to August 08	On monthly basis, on 20th of the following month including grace days.	Not Yet Paid
		3,443	May 07, June 07, August 07 & September 07		
	Interest & Penal Damages.	57,792 85,629	1996-2001 2002-2005		Not Yet Paid
Service Tax	Service tax & Education Cess on GTA including interest on delayed payment	73,274	Feb 06 to Sept 08	On monthly basis on 5th of the following month	Not Yet Paid
The Karnataka Tax on Entry of Goods into Local Area for Consumption, Use or sale therein, 1979	Entry Tax including interest on delayed payment	551,257	-2001-2005	On monthly basis, on 20th of the following month	Not Yet Paid
		59,025	2006-07		
		132,843	2007-08		
	Penalty	48,297 20,000 50,000	2005-06 & 2006-08 2003-04 2004-05		
Income Tax Act, 1961	Tax Deducted at source/ Tax Collected at source including interest on delayed payment	382,299	2006-07, 2007-08 & Upto August 2008	On monthly basis, on 7th of the following month	Not yet paid
The Karnataka Value Added Tax Act, 2003	VAT including interest on delayed payment	50,660 103,267 12,327 4,305	2005-06 2006-07 2007-08 2008-09	On monthly basis, on 20th of the following month	Not yet paid
The Central Excise and Salt Act	Excise duty, Education cess and Secondary & Higher Education Cess including interest	2,711	July 08 & September 08	On the 5th of the following month	Not yet paid

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- c) As at 31st March 2009, according to the records of the company, the following are the particulars of disputed dues on account of sales-tax, income tax, customs duty, wealth tax, service tax, excise duty and cess matters that have not been deposited.

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Sales Tax Act, 1957 & The Central Sales Tax Act, 1956.	Sales Tax	27,775	June 02 to Dec '02	High Court of Karnataka Bangalore.

- x) In my opinion, the accumulated losses of the company at the end of the financial year are greater than fifty per cent of its net worth. The company has incurred cash losses during the financial year covered by my audit and in the immediately preceding financial year.
- xi) In my opinion and according to the information and explanations given to me, the company has not defaulted during the year in repayment of dues to its bankers or to any financial institution. The company has not issued any debentures.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In my opinion and according to the information and explanations given to me, the company is not a chit fund or nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the order are not applicable to the Company.
- xiv) According to the information and explanations given to me, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the order are not applicable to the Company.
- xv) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
- xvi) The company has not obtained any term loans during the year. Accordingly, clause 4(xvi) of the order is not applicable.
- xvii) Based on the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that the company has used short term funds (working capital) for purchase of fixed assets costing Rs.106,819/-.
- xviii) The Company has not made any preferential allotment of shares to companies/firms/ parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year. Accordingly, clause 4(xviii) of the order is not applicable.
- xix) The company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
- xx) The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
- xxi) During the course of examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to me, I have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have I been informed of such case by the management.

For **H.R.Sudarshan & Associates**
Chartered Accountants

Place: Bangalore
Date : 31.7.2009

H.R.SUDARSHAN
Proprietor
Membership Number : 27981

**SHIMOGA TECHNOLOGIES LIMITED****BALANCE SHEET AS AT 31ST MARCH, 2009**

Particulars	Schedule No	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
SOURCES OF FUNDS			
1. Shareholders' Funds			
Capital	I	43,200,000	43,200,000
2. Loan Funds			
Secured Loans	II	10,000,000	
Unsecured Loans	III	10,275,410	304,570
TOTAL		63,475,410	43,504,570
APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block	IV	58,991,084	65,952,002
(b) Less: Depreciation to date		37,073,843	40,506,736
(c) Net Block (a-b)		21,917,241	25,445,266
(d) Capital work-in-progress (At cost)			
		21,917,241	25,445,266
2. Deferred Tax Assets (Net)			
			2,879,815
3. Current Assets, Loans and Advances			
(a) Inventories	V		5,809,985
(b) Sundry Debtors		6,169,789	262,254
(c) Cash and Bank Balances		242,237	607,856
(d) Loans and Advances		1,844,115	2,426,498
		8,256,141	9,106,593
Less:			
3a. Current Liabilities and Provisions			
(a) Liabilities	VI	25,266,832	45,414,672
(b) Provisions		1,088,222	720,879
		26,355,054	46,135,551
Net Current Assets (3-3a)		(18,098,913)	(37,028,958)
4. Miscellaneous Expenditure			
Profit and Loss Account - Loss		59,657,082	52,208,447
TOTAL		63,475,410	43,504,570
Notes on Accounts	VII		

The Schedules referred to above form part of the Balance Sheet

As Per My Report of even date

For H.R. Sudarshan & Associates

Chartered Accountants

H. R. SUDARSHAN

Proprietor

Membership Number : 27981

Place : Bangalore

Date : 31.7.2009

For and on behalf of the Board of Directors

G. ANANDA

Director

SURESH SHASTRY

Chairman & Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

Particulars	Schedule No.	Year Ended 31-03-2009 (Rupees)	Year Ended 31-03-2008 (Rupees)
INCOME			
Sales	VIII	81,870,308	114,752,333
Other Income	IX	4,765,526	462,492
Accretion/(Depletion) of stock		(1,696,142)	6,961
TOTAL		84,939,692	115,221,786
EXPENDITURE			
Excise Duty & Taxes		12,262,197	20,257,960
Manufacturing Expenses	X	63,562,064	92,936,652
Administrative & Other Expenses	XI	6,686,887	7,361,384
Financial Charges	XII	4,229,634	3,361,160
Bad Debts and Advances written off			6,721
Depreciation		2,532,570	2,614,947
TOTAL		89,273,352	126,538,824
PROFIT / (LOSS) BEFORE TAX & PRIOR PERIOD ITEMS		(4,333,660)	(11,317,038)
Add: Fringe Benefit Tax		141,203	138,000
Add: Banking Cash Transaction Tax			199
		(4,474,863)	(11,455,237)
Add: Deferred Tax (Expense)/ Income		(2,879,815)	1,938,235
Loss for the Year		(7,354,678)	(9,517,002)
Prior Period Adjustments (net)		93,957	2,449,091
		(7,448,635)	(11,966,093)
BALANCE BROUGHT FORWARD FROM LAST YEAR		(52,208,447)	(40,242,354)
Accumulated Loss		(59,657,082)	(52,208,447)
BALANCE CARRIED TO BALANCE SHEET		(59,657,082)	(52,208,447)
Basic & Diluted EPS		(0.17)	(0.22)
Weighted average number of shares		43,200,000	43,200,000
Notes on Accounts	VII		

The Schedules referred to above form part of the Profit and Loss Account

As Per My Report of even date

For and on behalf of the Board of Directors

For H.R. Sudarshan & Associates

Chartered Accountants

H. R. SUDARSHAN

Proprietor

Membership Number : 27981

Place : Bangalore

Date : 31.7.2009

G. ANANDA

Director

SURESH SHASTRY

Chairman & Director



SHIMOGA TECHNOLOGIES LIMITED

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	Schedule No.	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
SHARE CAPITAL AUTHORISED 45,000,000 Equity Shares of Re.1/- each (Previous Year 45,000,000 Equity Shares of Re.1/- each)	I	45,000,000	45,000,000
ISSUED SUBSCRIBED AND FULLY PAID UP 43,200,000/- Equity Shares of Re.1/- each fully paid up (Previous Year 43,200,000/- Equity Shares of Re.1/- each fully paid up)		43,200,000	43,200,000
SECURED LOANS Secured Loan from a company Secured by equitable mortgage of land and building situated at Plot No.N-12 & N-13, Industrial Estate, Sagar Road, Shimoga by deposit of title deeds and hypothecation of Plant & Machinery both present and future including plant & machinery in transit.	II	10,000,000	
TOTAL		10,000,000	
UNSECURED LOANS Unsecured loan from a Director Overdrawn book balance on current account	III	10,000,000 275,410	304,570
TOTAL		10,275,410	304,570

Notes on Accounts

VII

IV. FIXED ASSETS AND DEPRECIATION

Amount in Rupees

DESCRIPTION	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK		
	As at 01-04-2008	Additions	Adjustments	Sale	Deletions	As at 31-03-2009	As at 1-04-2008	From 1-4-2008 to 31-3-2009	As at 31-3-2009	As at 31-3-2009	As at 1-04-2008		
							Additions	Cumulative Dep on asset sold	Reversals				
Land	2,024,158	-	-	-	-	2,024,158	-	-	-	-	2,024,158	2,024,158	
Land II	852,278	-	-	-	-	852,278	-	-	-	-	852,278	852,278	
Building	8,728,905	25,786	-	-	-	8,754,691	3,157,466	292,181	-	3,449,647	5,305,044	5,571,439	
Plant & Machinery	34,749,675	-	(90,640)	-	2,361,799	32,297,236	19,716,827	1,822,158	1,758,857	19,780,128	12,517,108	15,032,848	
Office Equipments	957,183	90,312	-	32,000	654,341	361,154	560,239	54,184	15,372	453,479	215,582	396,944	
Hand Tools & Equipments	275,691	11,727	-	-	24,476	262,942	206,685	12,526	17,589	201,622	61,320	69,007	
Other Tools	665,592	2,592	-	-	441,948	226,236	575,271	36,767	-	404,541	207,497	18,739	
Dies & Tools	12,798,086	-	-	-	-	12,798,086	12,449,538	107,267	-	-	12,556,805	241,281	
Electrical Installation	921,331	-	-	-	82,575	838,756	398,281	46,443	-	50,350	394,374	444,382	
Computer Equipment	2,301,646	-	-	-	2,002,302	299,344	2,112,040	45,347	2,002,166	155,221	144,123	189,606	
Software	13,500	33,644	-	-	-	47,144	5,502	9,081	-	14,583	32,561	7,998	
Furniture & Fixtures	1,663,957	33,398	-	-	1,468,296	229,059	1,324,887	106,616	-	1,263,109	168,394	60,665	
Total	65,952,002	197,459	(90,640)	32,000	7,035,737	58,991,084	40,506,736	2,532,570	15,372	5,950,091	37,073,843	21,917,241	25,445,266
Previous year	63,691,904	2,282,577	-	22,479	-	65,952,002	37,913,733	2,614,947	21,944	-	40,506,736	25,445,266	

Notes on Accounts

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SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	Schedule No.	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
CURRENT ASSETS, LOANS AND ADVANCES:	V		
A. INVENTORIES (As Certified by the management)			
Stock- Consumable Stores		-	722,788
Stock- Raw Material		-	3,391,055
Stock - Work in process		-	1,344,526
Stock- Waste & Scrap		-	351,616
		-	5,809,985
B. SUNDRY DEBTORS (unsecured)			
(i) Considered Good			
(a) Outstanding for a period exceeding six months		-	-
(b) Other debts		6,169,789	262,254
(ii) Considered doubtful			
-Outstanding for a period exceeding six months		-	-
		6,169,789	262,254
Less: Provision for Doubtful Debts		-	-
		6,169,789	262,254
C. CASH AND BANK BALANCES			
Cash on hand		350	8,051
With Scheduled Banks:			
In Current Accounts		241,887	599,805
		242,237	607,856
D. LOANS AND ADVANCES (Unsecured, Considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received.		457,054	708,379
Amount due from a Director (Maximum amount due at any time during the year Rs.19,462/- (Previous year Rs. Nil)		19,462	
Deposits with Government Authorities		1,367,599	1,718,119
		1,844,115	2,426,498

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2009**

PARTICULARS	Schedule No.	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
CURRENT LIABILITIES AND PROVISIONS	VI		
(a) Current Liabilities			
· Creditors for goods		10,465,730	14,428,319
· Creditors for expenses		6,898,838	20,073,462
· Creditors for Others		7,787,989	10,912,891
· Interest accrued but not due on unsecured loan		114,275	-
		25,266,832	45,414,672
(b) Provisions			
· Provision for Fringe Benefit Tax		134,203	53,000
· Provision for Gratuity		519,643	12,040
· Provision for Leave Salary		434,376	655,839
		1,088,222	720,879

Notes on Accounts

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SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	Schedule No.	Year Ended 31st March 2009		Year Ended 31st March 2008	
		Rupees	Rupees	Rupees	Rupees
SALES	VIII				
Sales		68,059,096		94,538,629	
Less: Returns		700,698		166,653	
			67,358,398		94,371,976
Excise Duty & Taxes			12,063,690		19,854,971
Trading Sales					
-Raw Materials		1,773,982			
-Consumables		222,321	1,996,303		
Excise Duty & Taxes on Trading Sales			227,709		
Conversion Charges (TDS Rs.Nil, (Previous year Rs.Nil))			224,208		525,386
TOTAL			81,870,308	114,752,333	
OTHER INCOME	IX				
Interest received on MESCOM Deposit (TDS Rs.19,595/- (previous year Rs.13,097/-))			86,473		57,857
Sundry creditors/ Excess provision written back			4,409,053		97,703
Marketing Development Assistance			270,000		300,000
Profit on Sale of Fixed Assets					6,932
TOTAL			4,765,526	462,492	
MANUFACTURING EXPENSES	X				
<i>Raw Materials Consumed:</i>					
Opening Stock		3,391,055		4,905,426	
Purchases less returns		36,277,525		57,160,371	
Less: Closing Stock			39,668,580	3,391,055	58,674,742
Trading purchases					
-Raw Materials		1,890,195			
-Consumables		222,321	2,112,516		
<i>Stores Consumption:</i>					
Opening Stock		722,788		492,893	
Consumables Stores Purchases less returns		4,781,670		10,303,760	
Less: Closing Stock			5,504,458	722,788	10,073,865
Freight :					
Freight Inward			383,455		1,560,797
<i>Labour Charges:</i>					
Labour/Heat Treatment Charges			1,158,881		4,143,304
<i>Personnel Cost:</i>					
Salaries & Wages		5,722,710		6,476,520	
Production Incentive & Bonus		1,102,753		1,457,666	
Contribution to Provident & Other funds		809,315		946,428	
Staff Welfare	277,977		500,112		
Gratuity	601,468		303,353		
Leave Salaries	177,479	8,691,702	182,285	9,866,364	
Power Charges		4,592,478		6,403,073	
Repairs & Maintenance					
-Building	227,956		427,564		
-Machinery	535,101		918,355		
-Others	82,174	845,231	163,240	1,509,159	
Other Factory Expenses		604,763		705,348	
TOTAL			63,562,064	92,936,652	

Notes on Accounts

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SHIMOGA TECHNOLOGIES LIMITED

SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

PARTICULARS	Schedule No.	Year Ended 31st March 2009		Year Ended 31st March 2008	
		Rupees	Rupees	Rupees	Rupees
ADMINISTRATION, SELLING & OTHER EXPENSES	XI				
Directors Remuneration		955,459		918,250	
Salaries & Bonus		1,009,045		1,137,778	
Contribution to Provident & Other funds		167,410		160,019	
Medical Expenses - Office				5,954	
Staff Welfare - Office		77,600		93,989	
Professional Charges		455,076		515,835	
Postage & Telegram		214,163		230,872	
Printing & Stationery		91,443		159,581	
Travelling & Conveyance - Directors		509,873		650,682	
Travelling & Conveyance - Others		410,732		474,759	
Rent		89,280		105,840	
Rates & Taxes		160,063		1,295,060	
Insurance		67,894		51,846	
Selling Expenses		494,274		704,538	
General Expenses		437,660		329,637	
Repairs & Maintenance		203,307		297,249	
Obsolete/damaged Asset written off		1,085,646			
Loss on Sale of Asset		13,828			
Auditors' Remuneration					
i) Statutory Audit Fees	88,240		67,416		
ii) Tax Audit Fees	33,090		33,708		
iii) VAT Audit Fees	22,060		44,944		
iv) Taxation Matters	33,090		33,708		
v) Certification Matters	48,552		36,517		
vi) Out of Pocket expenses	19,102		13,202		
TOTAL			6,686,887	7,361,384	
FINANCIAL CHARGES	XII				
Interest					
On Secured loan		210,959			
On Unsecured loan		245,549			
Others		3,730,214		3,336,251	
Bank Charges	42,912		24,909		
TOTAL			4,229,634	3,361,160	

Notes on Accounts

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NOTES AND ADDITIONAL INFORMATION FORMING PART OF ACCOUNTS

SCHEDULE NO. VII

1. SIGNIFICANT ACCOUNTING POLICIES:

The significant Accounting policies followed by the company are as stated below:

- i) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The company maintains its accounts on accrual basis.
- ii) Sale of goods is recognised at the point of despatch of finished and converted goods to customers and is inclusive of duties & taxes.
- iii) Preliminary, share issue and other deferred revenue expenses are written off to the extent of one tenth per annum.
- iv) Fixed Assets & Depreciation:
 - a) Fixed assets including DIES and Tools are capitalised at acquisition cost including directly attributable cost of bringing the assets to their working condition for the intended use.
 - b) Depreciation on Fixed assets is provided on straight line method in accordance with Schedule XIV of the Companies Act, 1956. As in previous years, based on expert opinion obtained, depreciation on plant and machinery is provided at the rates applicable for continuous processing plants.
- v) Impairment of Assets:

An asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.
- vi) Inventories:

Raw materials, work in progress & finished goods are valued at lower of cost and net realizable value. In valuing of work-in-process and finished goods, cost of materials as well as conversion cost is taken into consideration. Finished goods are valued inclusive of excise duty payable thereon. Cost is determined using FIFO method.
- vii) Employee Benefits:

Retirement and Gratuity benefits
Retirement benefits in the form of Provident

Fund and Superannuation Scheme are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the Provident Fund authorities/The Life Insurance Corporation of India who maintain and administer the Superannuation Scheme.

Gratuity liability is a defined benefit obligation and is provided on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The scheme is maintained and administered by the Life Insurance Corporation of India to which the company makes periodic contributions. All the employees of the Company have resigned at the close of business hours on 31/03/2009. Provision has therefore been made on the basis of the amount due as on 31/03/2009. Consequent to the change, the charge towards gratuity is higher by Rs.356,090/-during the year and the loss is also higher by the same amount.

Leave Encashment payable as per the company's rules and calculated as per the amount payable towards a policy with LIC has been charged to the Profit & Loss Account. The scheme is maintained and administered by the Life Insurance Corporation of India to which the company makes periodic contributions.

Short term compensated absences are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. Long term compensated absences are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method. All the employees of the Company have resigned at the close of business hours on 31/03/2009. Provision has been made on the basis of the amount determined by LIC as it is higher than the amount due as on 31/03/2009.

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

viii) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.



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ix) Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty that the asset will be realised in future.

x) Earnings Per Share: Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on conversion of all dilutive potential equity shares.

xi) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Going Concern: The Company has repaid dues to Bank of India and IDBI under a one time settlement scheme during the previous years. As a result the accumulated losses have been reduced. Due to the present economic crises, the turnover of the company has declined during the period October 2008 to March 2009. Since it is not economical to run the factory at such levels, nor to keep the factory closed and with a view to curtail the mounting losses the company proposed to lease the facilities and an Extra-Ordinary General Meeting of the shareholders was called for this purpose on 20th March 2009. In accordance with the resolution of the shareholders at the Extra-ordinary General Meeting, the Company has entered into an agreement on 29th March 2009 with Bhagavathi Enterprises Ltd for leasing of the manufacturing facilities with effect from 1/4/2009 for a period of 11 months. All the employees of the

company have resigned at the close of business hours on 31/3/2009. Considering the fact that the manufacturing facilities are still in use and taking into account the short period of lease, the management's assessment of improvement in the economic conditions in general, the accounts of the Company have been prepared on a "Going Concern" basis even though the manufacturing facilities have been leased and there is an erosion in the net worth of the company due to accumulated losses.

3. Contingent Liabilities:

- a) Penalties & Interest on Penalties/arrears of sales tax/ tax deducted/collected at source, excise duty, service tax and provident fund - Not Ascertainable
- b) Penalty for non payment of professional tax and non filing of Professional Tax Returns -Not Ascertainable.
- c) Commitments: Estimated amount of contracts to be executed on capital account not provided for Rs. Nil (Previous year Rs. Nil).

4. Retirement benefit Plans:

a) Defined Contribution plans

The Company makes Provident Fund/ Superannuation contributions to the provident fund authorities/ The Life Insurance Corporation of India as a fixed percentage of the payroll costs which is recognised in the profit and loss account.

b) Defined benefit plans

- i) The company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to fifteen days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at March 31, 2009.

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	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Gratuity (Funded)		
i) Change in benefit obligations		
Projected benefit obligation, beginning of the year (April 1, 2008)	1,702,811	1,333,315
Service Cost	557,640	120,526
Interest Cost	136,225	106,665
Actuarial (gain)/loss	70,599	199,157
Benefits Paid	(28,992)	(56,852)
Projected benefit obligation, end of the year	2,438,283	1,702,811
ii) Change in plan assets:		
Fair value of plan assets, beginning of the year (April 1, 2008)	1,540,686	1,474,543
Expected return on plan assets	162,996	122,995
Employer's contributions	407,503	0
Benefit paid	(28,992)	(56,852)
Actuarial gain		
Fair value of plan assets at the end of the year	2,082,193	1,540,686
Excess of (obligation over plan assets)/ plan assets over obligation	(356,090)	(162,125)
(Accrued liability)/ Prepaid benefit	(356,090)	(162,125)
iii) Net gratuity and other cost for the year ended March 31, 2009		
Service cost	557,640	120,526
Interest on defined benefit obligation	136,225	106,665
Expected return on plan assets	(162,996)	(122,995)
Net actuarial gain recognized in the year	70,599	199,157
Net gratuity and other cost	601,468	303,353
Actual return on Plan Assets		
iv) Category of Assets as at March 31, 2009		
Special Deposits Scheme		
Insurer Managed Funds	1,939,092	1,540,686
Others	0	0
Total	1,939,092	1,540,686
Assumptions used in accounting for the gratuity plan :		
Discount rate	8%	8%
Salary escalation rate	7%	7%
Expected rate of return on plan assets	8%	8%

The expected return on plan assets is determined considering several applicable factors: mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

ii) The company has not paid the contribution to LIC towards the policy for leave encashment. As no payment has been made towards the policy, the company is unable to obtain details required to be furnished as per the requirement of the Accounting Standard-15 from LIC.

5. (i) The company has received notices from the sales tax authorities for recovery of sales tax dues for the period June 2002 to March 2003 amounting to Rs.7,76,543/- and penalty for delayed payment of the same amounting to Rs.27,775/-. 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.

(ii) The assessment orders for the years 2000-01, 2003-04 & 2004-05 have been received by the company from the sales tax authorities in the earlier years. An ex-parte order had been passed for the assessment year 2001-02 and additional tax under the KST and CST Act has been demanded to the extent of Rs.11,51,936/-. For the year 2003-04 the company's contention that the goods are liable for tax @ 2% had been overruled and taxed at 4% resulting in an additional demand of Rs.11,02,804/-. In the assessment order for the year 2004-05 Cess under Section 6D & 6E of the Karnataka Sales Tax Act, 1957 amounting to Rs.4,75,006/- had been levied, though the same is not applicable in respect of Schedule IV Goods. Further, tax of Rs.4,78,634/- has been levied @ 4% on goods sold by the company rejecting the contention of the company that the same are liable to tax @ 2%. The company had filed rectification applications before the appropriate authorities for the years 2002-03, 2003-04 and 2004-05. The rectification orders for the said years have been received and the contention of the company has been accepted. There is a reduction of Rs.35.58 lakhs in the taxes demanded. As provision had been made in the accounts for the entire demand and the interest payable on the same in the earlier years, a sum of Rs.35.58 lakhs has been written back towards sales tax liability and Rs. 7.86 lakhs has been written back in respect of interest thereon during the year.

(iii) An audit under the Karnataka Value Added Tax Act has been carried out for the period 1/4/2005 to 31/3/2007. Based on the audit findings a sum of Rs.388,209/- has been demanded towards tax,



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Rs.68,755/- towards interest and Rs.61,283/- towards penalties. Estimated liability of Rs. 339,109/- was provided during the year 2006-07 towards tax due and interest. The differential amount of Rs.117,855/- towards tax and interest and Rs. 61,283/- towards penalty has been provided during the year 2007-08. on receipt of the order.

(iv) The Company has received notices of demand from the PF authorities for payment of interest and damages amounting to Rs.171,577/- for the years 1996-97 to 2004-05 due to delayed payment of contribution to the PF authorities. The Company has paid interest amounting to Rs.28,236/- for the years 1996-97 to 2000-01 and has sought waiver of damages. The company is in the process of filing a similar request for the years 2001-02 to 2004-05. However, as a matter of prudence the entire amount has been provided for. The PF authorities have initiated proceedings for recovery subsequent to the balance sheet date.

(v) The company has not filed returns and paid taxes collected under the Karnataka Tax on Profession, Trades and Callings Act to the appropriate authorities from December 2004.

6. Managerial remuneration under section 198 of the Companies Act, 1956

Particulars	Year Ended on 31-03-2009	Year Ended on 31-03-2008
	Rupees	Rupees
Remuneration	6,00,000	5,75,000
Contribution to Provident Fund	72,000	69,000
Contribution to Superannuation Fund	90,000	86,250
House Rent Allowance	2,40,000	2,35,000
Perquisites:		
-Leave Travel Allowance	NIL	NIL
-Others	12,290	17,101
-Sitting fees paid to Non Whole time Directors	25,000	22,000

7. The company has participated in an exhibition held at Kuala Lumpur, been a delegate of the trade delegation.

12. Related Party Disclosures:

(a) Transaction with related parties - Key Management Personnel

Name of the Party	Nature of Transactions	Year ended 31-03-2009 Amount (Rs.)	Year ended 31-03-2008 Amount (Rs.)
Bhagavathi Enterprises Ltd.	Sales Less Returns	77,295,004	108,799,391
	Purchases Less Return	Nil	7,337,674
	Car Hire Charges Paid	261,000	240,000
	Interest on delayed payment for supplies made/ advance received	2,307,413	1,542,530
	Interest on Secured Loan	210,959	Nil
Mr. Suresh Shastry	Interest on Unsecured Loan	245,549	Nil

to China, Tunisia, Egypt and Ghana organised by the Engineering Export Promotion Council during the year. The company is eligible for Marketing Development Assistance amounting to Rs.270,000/-. The company has received a sum of Rs.2,00,000/- during the year. The company has recognised the sum of Rs.2,70,000/- as income in the Profit and Loss account.

8. Confirmation of balances from creditors to the extent of Rs. 51,43,767/- and debtors to the extent of Rs.61,65,149/- has been received.

9. The company is a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985, and the company has made an application to the Board of Industrial and Financial Reconstruction under the provisions of the said Act. The matter is pending before the Honourable Board.

10. Disclosure as per Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006' (as certified by the management)

Particulars	For the year ended March 31, 2009 (Rupees)		For the year ended March 31, 2008 (Rupees)	
	Principal	Interest	Principal	Interest
Amount due to Vendor	700,460	98,278	2,00,032	1,22,650
Amount paid beyond the appointed date	4,474,539	-	3,524,927	-
Interest accrued and remaining unpaid (includes interest disallowable)	-	98,278	-	1,22,650

Names of the Small Scale Industrial Undertakings to whom the company owes any sum which is outstanding for more than 45 days as at 31/03/2009 : M/s Abrami Precision Works, (Previous Year M/s Satya Industries).

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. The same has been relied upon by the auditors.

11. The company has no other operations which are material in size other than the business relating to forgings. Hence segmental reporting does not arise for the year under consideration.

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(b) Balance with related parties

Name of the Party	Particulars	Year ended 31-03-2009 Amount (Rs.)	Year ended 31-03-2008 Amount (Rs.)
Bhagavathi Enterprises Ltd.	Debtors / Advance from Customers	6,165,150	(13,430,630)
Mr. Suresh Shastry	Secured Loan	10,000,000	Nil
	Unsecured Loan	10,000,000	Nil
	Advance towards expenses	19462	Nil

13. The information required by Para 3 & 4 of part II of the Schedule VI of the Companies Act, 1956 is as follows:

	Year Ended 31-03-2009	Year Ended 31-03-2008
Installed Capacity-Per annum in Tonnes	1890	1890
Licensed Capacity	-N.A-	-N.A-
Production in Tonnes	943	1864

14. Value of imported and indigenous materials consumed:

Particulars	Year Ended 31-03-2009		Year Ended 31-03-2008	
	%	Rs.	%	Rs.
Raw Materials - Imported	100%	39,668,580	100%	58,674,742
Raw Materials - Indigenous	-	-	-	-
Spare parts & Components - Imported	100%	5,504,458	100%	10,073,865
Spare parts & Components - Indigenous	-	-	-	-

15. Quantitative Details:

Sl No	Particulars	Opening Stock		Purchases		Sales		Consumption Production	Closing Stock	
		Qty MT	Amount Rs.	Qty MT	Amount Rs.	Qty MT	Amount Rs.	Qty MT	Qty MT	Amount Rs.
1	Raw Materials	98	3,391,055	845	36,277,525	-	-	943	-	-
	Steel	174	4,905,426	1788	57,160,371	-	-	1864	98	3,391,055
2	Steel for Trading	-	-	56	1,890,195	56	2,001,691	-	-	-
3	Steel Forgings	25	13,44,526	-	-	630	75,118,026	605	-	-
		31	1,579,157	-	-	1239	108,900,904	1233	25	13,44,526
4	Waste & Scrap	22	351,616	-	-	266	4,259,045	244	-	-
		14	110,024	-	-	464	5,261,101	472	22	351,616

NOTES :

- Quantities have been rounded off to the nearest tonne.
- Steel Forgings- Opening & Closing Stock are in Work-in- Progress only.
- Production loss is considered at 9% (Previous year 8%).
- Figures in italics pertains to previous year.
- Raw material consumption 943 (previous year 1864) includes 11 tonnes (previous year 32 tonnes) towards conversion of 3rd party material.

16. No provision has been made for taxation as there is no taxable income as per the provisions of the Income tax Act, 1961.



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17. Deferred tax asset was first recognised in the year 2006-07 by the company consequent to the reduction in brought forward losses due to repayment of loans under the one-time settlement with IDBI and Bank of India. The Company had also paid an advance tax of Rs.15,000/- in June 2007, to cover the MAT tax liability. However, since then the company has continued to incur losses and also leased-out the manufacturing facilities in order to avoid closure and further deterioration in the health of the Company. Since there is no reasonable certainty that the company will have sufficient taxable income in future to realise the Deferred tax asset, the deferred tax asset recognised in the earlier year has been written off during the year and also no deferred tax asset has been recognised during the year. The break-up of the deferred tax asset as on 31/3/2008 is given below:

(Amount in Rupees)

Particulars	As at 31 March 2009	As at 31st March 2008
Deferred Tax Liability		
Depreciation:	Nil	4,617,817
Total	Nil	4,617,817
Deferred Tax Asset		
Expenses allowable under IT on Payment	Nil	3,591,282
Carried Forward Losses as per IT returns filed	Nil	3,699,975
Gratuity	Nil	3,720
Leave Encashment	Nil	202,655
Total	Nil	7,497,632
Net Deferred Tax Asset	Nil	2,879,815

18. **Prior Period Adjustments:**

Amount in Rs.

Particulars	Year Ended 31-03-2009	Year Ended 31-03-2008
Expenditure:		
Excise Duty, Sales Tax/VAT & Entry Tax	Nil	2,423,373
Leave Encashment, Bonus & Superannuation/Contribution	6,939	Nil
Repairs and Maintenance and loss on sale of machinery	50,000	Nil
Others	53,168	25,718
Total	110,107	2,449,091
Income:		
FBT refund received	14,400	Nil
Excess Interest, Excess provision for leave salary, sundry creditors written back and Others	1,750	Nil
Total	16,150	Nil
Net Prior Period Income/(Expenditure)	93,957	2,449,091

19. Calculation of Earning per share as per Accounting Standard (AS-20) "Earning per Share"

Particulars	2008-09	2007-08
Net Profit/(loss) for the year (Rs.)	(7,448,635)	(9,517,002)
No. of Equity Shares outstanding at the beginning of the year	43,200,000	43,200,000
No. of Equity Shares outstanding at the end of the year	43,200,000	43,200,000
Weighted average number of equity shares	43,200,000	43,200,000
Nominal value per share (Rs.)	1	1
Basic & diluted earnings per share	(0.17)	(0.22)

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20. The company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangement is for 11 months and is renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent in the Profit and Loss Account. During the year Rs. 89,280/- has been recognized in the Profit & Loss account. (Previous Year : Rs. 1,05,840/-). Future minimum lease rentals payable as at 31st March 2009, as per the lease agreement within the next one year is Rs. 0.37 lakhs.

The Company has entered into an agreement on the 29th of March 2009 to lease its factory building and Plant and Machinery w.e.f. 1/4/2009 for a period of 11 months to Bhaghavathi Enterprises Ltd for a sum of Rs.200,000/- per month. The lease is renewable by mutual consent on mutually agreeable terms.

Future minimum lease rentals receivable as at 31st March 2009 as per the lease agreement within the next one year is Rs.22 lakhs. The information pertaining to future minimum lease rentals receivable is based on the lease agreements entered into by the Company and M/s Bhaghavathi Enterprises Ltd. Lease rentals are reviewed periodically taking into account prevailing market conditions.

21(a) The company has taken an unsecured loan from a director amounting to Rupees one crore. The same is repayable on 1/4/2010 as per the terms of the agreement.

21(b) The company had received an advance of Rupees two crores towards supply of forgings from Bhagavathi Enterprises Ltd., Due to parity of order, Bhagavathi Enterprises Ltd. requested the company to refund the same. The company repaid a sum of Rupees one crore out of the loan taken from a Director. The company was not in a position to refund the balance amount. A sum of Rupees one crore was accepted as a loan against which a charge was created on the assets of the company.

22. Physical verification of Fixed Assets and comparison with the register of fixed assets was carried out in terms of the programme of verification of fixed assets framed by the company. Discrepancies noticed on such verification and obsolete and damaged assets with nil or insignificant realisable value having a book value of Rs.10,85,646/- has been written off in the accounts.

23. Expenditure in Foreign Currency: Travelling, Conveyance and Exhibition expenses: Rs.413,053/- (Previous Year Rs.222,700/-)

24. Earnings in Foreign Currency : Nil (Previous Year Rs. Nil)

25. Previous year-figures have been regrouped wherever necessary to confirm to the current year's classification.

26. Figures have been rounded off to the nearest rupee.

27. Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956 is enclosed vide Annexure 1.

Signatories to schedules I to XIII

The Schedules referred to above form part of the Balance Sheet and Profit & Loss Account.

As Per My Report of even date

For and on behalf of the Board of Directors

For H.R. Sudarshan & Associates

Chartered Accountants

H.R. SUDARSHAN Proprietor & **GIRANANDA** Director & **SURESH SHASTRY** Chairman & Director

Membership Number: 279811

Place: Bangalore
Date: 31/7/2009

**SHIMOGA TECHNOLOGIES LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009**

	Year ended 31.03.2009		Year ended 31.03.2008	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow from Operating Activities :				
Profit/(Loss) for the year		(4,333,660)		(11,317,038)
<i>Adjustments for:</i>				
Depreciation for the year	2,532,570		2,614,947	
Interest- on Loans & Other Expenses	362,551		(2,449,091)	
Profit/ (Loss) on sale of fixed assets	13,828		(6,932)	
Depreciation written back	(5,965,463)	(3,056,514)	(21,944)	136,980
<i>Operating Profit before working capital changes:</i>		(7,390,174)		(11,180,058)
<i>Adjustments for:</i>				
Inventories	5,809,985		1,277,515	
Sundry Debtors	(5,907,535)		10,237,394	
Loans and Advances	582,383		(653,087)	
Unsecured Loans	9,970,840		304,466	
Current Liabilities	(19,780,497)	(9,324,824)	2,734,910	13,901,198
Cash generated from operations		(16,714,998)		2,721,140
Fringe Benefit Tax	(141,203)		(138,000)	
Banking Cash Transaction Tax		(141,203)	(199)	(138,199)
Net cash from operating activities		(16,856,201)		2,582,941
B. Cash Flow from Investing Activities :				
Purchase of fixed assets	(106,819)		(2,282,577)	
Assets written off	7,035,737			
Sale of fixed assets	18,172		29,411	
Net cash used in investing activities		6,947,090		(2,253,166)
C. Cash Flow from Financing Activities :				
Loan received				
- From a Director	10,000,000			
Interest Paid on Loans	(456,508)			
Net cash used in activities		9,543,492		
Net increase/ (decrease) in cash and cash equivalents		(365,619)		329,775
Cash and cash equivalents as at beginning		607,856		278,081
Cash and cash equivalents as at closing		242,237		607,856

As Per My Report of even date
For H.R. Sudarshan & Associates
Chartered Accountants

H. R. SUDARSHAN
Proprietor

Membership Number : 27981
Place : Bangalore
Date : 31.7.2009

For and on behalf of the Board of Directors

G. ANANDA
Director

SURESH SHASTRY
Chairman & Director

AUDITORS CERTIFICATE

I have verified the attached Cash Flow Statement of **SHIMOGA TECHNOLOGIES LIMITED** derived from the financial statements and books and records maintained by the company for the year ended 31st March, 2009 and found the same in agreement therewith.

Place : Bangalore
Date : 31.7.2009

for **H.R. SUDARSHAN AND ASSOCIATES**
Chartered Accountants

H.R. SUDARSHAN
Proprietor

Membership Number : 27981

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. :

0	8	1	1	3	0	3
---	---	---	---	---	---	---

State Code :

0	8
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	9
---	---	---	---

Date Month Year

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. thousands)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. thousands)

Total Liabilities

		6	3	4	7	5
--	--	---	---	---	---	---

Total Assets

		6	3	4	7	5
--	--	---	---	---	---	---

Sources of Funds
Paid-up Capital

		4	3	2	0	0
--	--	---	---	---	---	---

Reserves & Surplus

						N	I	L
--	--	--	--	--	--	---	---	---

Secured Loans

		1	0	0	0	0
--	--	---	---	---	---	---

Unsecured Loans

		1	0	2	7	5
--	--	---	---	---	---	---

Application of Funds
Net Fixed Assets

		2	1	9	1	7
--	--	---	---	---	---	---

Investments

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Aseets

(1	8	0	9	9)
---	---	---	---	---	---	---

Miscellaneous Expenditure

--	--	--	--	--	--	--	--	--

Accumulated Losses

		5	9	6	5	7
--	--	---	---	---	---	---

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. thousands)

Turnover

		8	4	9	4	0
--	--	---	---	---	---	---

Total expenditure

		8	9	2	7	3
--	--	---	---	---	---	---

Loss Before Tax

		4	3	3	3
--	--	---	---	---	---

Loss After Tax

		7	3	5	5
--	--	---	---	---	---

Earning per Share (Rs. Ps.)

		(0	.	1	7)
--	--	---	---	---	---	---	---

Dividend Rate %

						N	I	L
--	--	--	--	--	--	---	---	---

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(as per monetary terms)

Item Code No :

7	3	2	6	9	0	2	1	5
---	---	---	---	---	---	---	---	---

Product Description Finished and Semi Finished Steel Forgings for Auto spares.

Item Code No :

7	3	2	6	9	0	2	1	5
---	---	---	---	---	---	---	---	---

Product Description Finished and Semi Finished for Earth Moving Implements.

For and on Behalf of the Board of Directors

Place : Bangalore
Date : 31.7.2009

G. ANANDA
Director

SURESH SHASTRY
Chairman & Director



SHIMOGA TECHNOLOGIES LIMITED

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

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

I hereby record my presence at the Eighteenth Annual General Meeting of the Company held at 10.00 A.M. on Friday the 25th day of September 2009.

Name of the Attending Shareholder.....
(in Block Letters)

Name of the Proxy.....
(To be filled in if the Proxy attends instead of the Share Holder)

Signature of the Shareholder/Proxy.....

Ledger Folio Number / DPID / Client ID.....No.of Shares held.....

NOTE : Shareholders/Proxyholders are requested to bring the Attendance Slips with them, duly filled in when they come to the Meeting and hand them over at the gate, affixing their signatures on them.



SHIMOGA TECHNOLOGIES LIMITED

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

PROXY

I/We.....of.....in the district of.....

being a Member/Members of the above named Company hereby appoint.....

of.....in the district of.....or failing

him.....of.....

in the district of.....as my/our Proxy to attend and vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at 10.00 A.M. on Friday the 25th day of September 2009 at Seva Sadan Association, 14th Cross, Malleswaram, Bangalore - 560 003 and at any adjournment thereof.

Signed this.....day of.....of September, 2009.

Affix Re. 1/-
Revenue Stamp
and Sign.

Note : The Proxy form must be returned so as to reach the Registered Office of the Company at # 135 / 3A, 11th Cross, Malleswaram, Bangalore – 560 003 not less than 48 hours before the time for holding the aforesaid Meeting.

BOOK-POST

U.C.P.

If undelivered please return to :



SHIMOGA TECHNOLOGIES LIMITED

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