



HBC FLEXTech LIMITED

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**7th ANNUAL REPORT
1998-99**

HBC FLEXTech LIMITED**Corporate Information****Board of Directors**

Sri. Abid Hussain	Chairman
Sri J.S. Krishna Murthy	Vice Chairman & Managing Director
Sri J.S.Rao	Director (Operations)
Sri O. Swaminatha Reddy	Director
Sri Harrison Tu	Director
Sri K.P. Sastry	Director
Sri J.V. Choudary	Director
Sri A.V.N.S. Nageswara Rao	G.M. (Finance) & Company Secretary

Auditors

M/s Brahmayya & Company
Chartered Accountants
Hyderabad

Bankers

State Bank of India
Overseas Branch, Abids,
Hyderabad.

Share Transfer Agents

Ikon Visions (P) Ltd.
33, Sonali Heavens, 8-3-948, Nagarjuna Nagar,
Hyderabad - 500 073.

Registered Office & Factory

Plot No. 40, IDA, Balanagar,
Hyderabad - 500 037.



HBC FLEXTech LIMITED

NOTICE :

Notice is hereby given that the Seventh Annual General Meeting of the Share Holders of HBC Flextech Limited will be held at Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-06-841, Red Hills, Hyderabad on Wednesday the 29th September 1999 at 3.00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the audited Balance Sheet as at 31st March 1999 and the Directors' Report and Auditor's Report thereon.
2. To appoint a Director in place of Dr. Abid Hussain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. J.V. Chowdhary, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors until the conclusion of the Next Annual General Meeting and to fix their remuneration.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 17-9-1999 to 29-9-1999 (Both days inclusive).
3. Shareholders are requested to bring their copies of Annual Report along with them to the General Meeting as copies of Annual Report will not be distributed again in the Meeting as a measure of economy.

By order of the Board

A.V.N.S. Nageswara Rao
GM (F) & Company Secretary

Registered Office & Factory
Plot No. 40, IDA, Balanagar,
Hyderabad - 500 037.

Date : 02.09-1999

HBC FLEXTech LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors wish to present the Seventh Annual Report and the Audited Accounts of the company for the Financial year ended 31st March, 1999.

Financial Results:	(Rs. in Lacs)	
	1998-99	1997-98
Operational Income	369.27	947.92
Operating Profit	99.64	404.55
Interest and Misc. Expenses written off	356.07	369.63
Profit/Loss for the Year	(256.43)	34.92

Operations:

Your Directors regret to inform you that the year under review has again witnessed a difficult period of marketing set-back. Financial circumstances both domestic and external further added to the company's difficulties. We could not make positive strides on account of these circumstances beyond our control. It will be appreciated that the hardening international situation and partly the crisis in South East Asia made the situation unenviable. It is only with the improvement of external market situation that our prospects for future would improve.

Market:

The Market for Flex Circuits has suffered a set back due to the South East Economic crisis, and the cut-down of the volumes of the production by the Electronic OEMs like Motorola etc., The general slackness in the economy was also a reason for the lack of orders.

To combat the situation the company had started 'direct marketing' and also started concentrating on the domestic sales, and results of which are likely to flow in in the current year.

This gives us a confidence that the company can certainly expect to achieve better performance in the years to come.

DIRECTORS:

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Dr. Abid Hussain and Mr. J.V. Choudary are due to retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS:

M/S Brahmayya & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Y 2 K COMPLIANCE

The computer systems working in the company are Y 2 K Compliant.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to thank all the central and state government authorities, the Department of Electronics, the Central Excise and Customs officials for their whole hearted co-operation and support in the

HBC FLEXTech LIMITED

operations of our Company. Your Directors wish to place on record their appreciation for the invaluable support given by the Industrial Development Bank of India and State Bank of India. Your Directors are also thankful to our Collaborator and the employees of the Company for their hard work and contribution in successfully absorbing the novice technology.

STATUTORY PARTICULARS:

The statutory particulars required under section 217 (1)(e) & (2A) of the Companies Act, 1956, are given in the Annexure to the Directors' Report.

For and on behalf
of the Board of Directors

Hyderabad
02-09-1999

Dr. Abid Hussain
Chairman

ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1998-99.**Statutory Particulars**

Particulars as per Section 217(1)(e) & (2A) of the Companies Act, 1956.

a) Conservation of Energy

Our Company is not required to give the details of the consumption of Power & Fuel. Our Company does not consume much energy and thus no plans for conserving it except taking steps to optimise the use with balanced loading, which we are already adopting.

b) Technology Absorption

The Technology imported in the year 1994 had been absorbed fully. There are no foreign technicians on the rolls of the company.

c) Forex Earnings and Expenditure

(Rs. in lacs.)

1998-99 1997-98

Forex earned through		
product sales	362.81	900.38
Miscellaneous	3.22	9.02
Forex expenditure	36.75	310.33

d) Particulars of Employees

There are no employees governed by the provisions of Section 217(2A) of the Companies Act, 1956.

For and on behalf
of the Board of Directors

Hyderabad
02-09-1999

Dr. Abid Hussain
Chairman

ADDENDA TO THE DIRECTOR'S REPORT :

With reference to the Item No.5 of the Auditors' Report, regarding the non provision of depreciation during the year and also write-back of the depreciation provision made during the earlier years, your directors would like to state that the company has decided to do so in view of the losses suffered. Note No.7 of the notes to accounts may also be referred to.

For and on behalf of the Board of Directors

DR. ABID HUSSAIN
Chairman

HBC FLEXTech LIMITED**AUDITORS' REPORT**

We have audited the attached Balance Sheet of HBC FLEX TECH LIMITED, Hyderabad (A.P.) as at 31st March 1999 and the attached Profit & Loss account for the year ended on that date with the books of the Company and wish to report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of account as required by law have been kept by the company so far as it appears from our examination of such books.
3. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account.
4. In our opinion, the balance sheet and profit and loss account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. During the year depreciation of Rs. 3,11,75,358/- provided in earlier years is written back to the assets and the depreciation of Rs. 1,17,84,284/- for the year is not provided, which has resulted in understating the loss for the year by Rs. 1,17,84,284/- and overstating the value of the fixed assets by Rs. 4,29,59,642/-. (Refer Note No.7 of Notes on Accounts)
6. In our opinion and to the best of our information and according to the explanations furnished to us, the said Balance Sheet and Profit and Loss Account read together with the schedules

annexed there with and subject to our remark in para 5 above, give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- i) In so far as it relates to the Balance Sheet of the State of Affairs of the Company as at 31st March 1999.

AND

- ii) In so far as it relates to the Profit & Loss account the loss for the year ended on that date.
7. As required by the Manufacturing and other Companies (Auditors Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we report hereunder on the matters specified in paragraphs 4 and 5 of the said order :
 - i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. There is annual verification of fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
 - ii) None of the fixed assets have been revalued during the year.
 - iii) The stocks of finished goods, stores, spare parts and raw materials have been physically