

INCAP

LIMITED

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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8th

ANNUAL REPORT

1997-98



BOARD OF DIRECTORS

Sri U.V. Warlu
 Sri V. Ratna Kumar
 Sri V. Raman Rao
 Sri P. Ram Rao
 Sri K. Srinivasa Rao
 Sri M. Prabhakar Rao
 Sri M.N. Rao
 Sri M. Ramaiah
 Sri K. Ram Babu
 Sri C. Bhagavantha Rao
 Sri K. Ramakoteswara Rao

Chairman
 Director - IDBI Nominee
 Director - APIDC Nominee
 Director
 Director
 Director
 Director
 Director
 Director
 Managing Director
 Executive Director

AUDITORS :

Messrs. Purnachandra Rao & Co.,
 Chartered Accountants,
 GUDIVADA.

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BANKERS :

State Bank of India,
 VIJAYAWADA
 State Bank of Hyderabad,
 VIJAYAWADA.

REGISTERED OFFICE AND FACTORY :

1-58, NIDAMANUR,
 VIJAYAWADA - 521 104,
 Andhra Pradesh.

INCAP LIMITED**NOTICE**

Notice is hereby given that the EIGHTH ANNUAL GENERAL MEETING of INCAP LIMITED will be held on Saturday the 12th September, 1998 at 11-00 a.m. at the registered Office of the Company at 1-58, Nidamanur, Vijayawada - 521 104, to transact the following business :

1. To consider and adopt the Balance Sheet as at 31st March, 1998 the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri. P. Ram Rao who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Sri. M. Prabhakar Rao who retires by rotation and is eligible for re-appointment.
4. To reappoint Auditors to hold office from the conclusion of this Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s. Purnachandra Rao & Co., Chartered Accountants, Gudivada, the present auditors of the Company are eligible for reappointment and are willing for the same.

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and a proxy need not be a member of the company. Proxies, in order to be effective, must be received by the company not less than 48 Hours before the meeting.
2. The Register of Members and Transfer Books of the Company will be closed from 1st September, 1998 to 12th September, 1998 (both days inclusive).
3. All documents referred to in the accompanying

Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11 a.m. and 1p.m. upto the date of the Annual General Meeting.

4. Members are requested to send all communications relating to shares to the Company's transfer agents at the following address.

Karvy Consultants Ltd., Karvy House, 46, Road No. 4, Street No. 1, Banjara hills, Hyderabad - 500 034. Phones : 3312454, 3320251.

5. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.

By order of the Board of Directors
for INCAP LIMITED

C. BHAGAVANTHA RAO
MANAGING DIRECTOR

HYDERABAD,
27th JUNE, 1998

Registered Office :
1-58, Nidamanur,
Vijayawada 521 104
Andhra Pradesh.

ANNUAL REPORT

DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting to you the eighth Annual Report along with the Audited statements of accounts for the year ended 31st March, 1998

1. FINANCIAL RESULTS :

	1997-98	1996-97
	(Rs. in lakhs)	
Gross Revenue	831.74	1007.29
Gross Profit	178.10	186.31
Interest	120.95	130.11
Operating Profit (Loss)	57.15	56.20
Depreciation	51.89	51.73
Miscellaneous Expenses written off	5.58	4.58
Profit (Loss)	(0.32)	(0.11)

2. OPERATIONS :

During this year also the performance of your Company does not compare favourably with the performance in the previous years. We made a turnover of Rs. 8.29 Crores during the year 1997-98 as against of Rs. 10.04 crores for the year 1996-97. The production for the year was 38.60 million pieces as against 47.01 million pieces during the year 1996-97. The downtrend is mainly attributed to the government policies which are not favourable to the Indian manufacturing industry and large scale imported components are taking place in the Indian market resulting in cut-throat competition and unhealthy price war.

3. OUT LOOK FOR THE FUTURE :

In view of the change of policies made by Government of India in the recent budget, your Company expects a significant increase in procurement of domestic components by consumer electronic industry and other sectors. Your Directors are confident of getting good share in the market due to our qualitative product.

4. EXPORTS :

During the year your company has not made any exports because of non-remunerative prices. Recently your company received a small trial

order from Australia with better prices and the same will be executed in the month of July, 1998. Efforts are being made to secure export orders in the coming period.

Your Directors inform you that, we got extension of time for fulfilment of export obligation for a further period of 3 years i.e., up to 2000 under EPCG scheme.

5. FINANCE :

Your Directors inform you that, under One Time Settlement (OTS) with central financial institutions, your company paid an amount of Rs. 2.89 crores as against Rs. 7.53 crores leaving a balance of Rs. 4.64 crores. Your Directors are making all out efforts to bring in sufficient funds in the form of term loan to the extent of Rs. 4.50 crores for settlement of institutional dues.

6. DIRECTORS :

Sri P. Ram Rao and Sri M. Prabhakar Rao retire by rotation and being eligible offers themselves for re-appointment.

7. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

The industry in which the company is engaged is not power intensive and hence the energy consumption is relatively low. The particulars as per Form-A need not be furnished as the same is not applicable to Electronic industry.

No Foreign Technology is imported as such, the question of the Absorption of the same does not arise.

8. FOREIGN EXCHANGE EARNINGS AND OUTGO :

	Current Year	Previous Year
	Rs.	Rs.
Earnings of Foreign Exchange	--	--
Expenditure in Foreign Currency :		
On imports of raw materials/ components	3,16,74,078	4,75,35,692
On account of capital goods	--	--
On account of travel	--	--

INCAP LIMITED**9. AUDITORS :**

The present Auditors of the company M/s. Purnachandra Rao & Co., Chartered Accountants, Gudivada retire at this meeting and are eligible for appointment.

10. PARTICULARS OF EMPLOYEES :

As required by the provisions of section 217 (2A) of the Companies Act, 1956, read with the companies (particulars of employees) Rules, 1975, as amended, your Directors report no employee was in receipt of remuneration of Rs. 3.00 lakhs or more per annum, or Rs. 25,000 or more per month where employed for a part of the year.

11. ACKNOWLEDGEMENTS :

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from IDBI, ICICI, IFCI, RCTFC, APIDC, State Bank of India, State Bank of Hyderabad, customers and suppliers.

Cordial relations prevailed during the year with all the employees. Your Directors wish to place on record their deep sense of appreciation of the valuable work done and cooperation extended by them at all levels.

By order of the Board

U.V. WARLU

CHAIRMAN

HYDERABAD,
27th JUNE, 1998.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
INCAP LIMITED

We have audited the attached Balance Sheet of Incap Limited as at 31st March, 1998 and Profit and Loss Account for the year ended on the date annexed thereto and report that :

1. As required by the manufacturing and other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the

matters specified in paragraph 4 and 5 of the said order.

2. Further to our comments in the annexure, referred to in paragraph 1 above :

a) 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.

b) Proper books of accounts as required by law have been maintained by the company in so far as it appears from our examination of such books.

c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account of the company.

d) In our opinion and to the best of our information and explanations given to us, the said Balance Sheet and Profit and Loss Account read together with significant accounting policies and notes thereon and subject to Note No.6 of the notes forming part of the accounts give the information required by the Companies Act, 1956 in the manner so required and reveal a true and fair view :

i) Of the state of affairs of the Company as at 31st March, 1998 in so far as it relates to the Balance Sheet, and

ii) In so far as it relates to Profit and Loss Account, of the loss of the company for the period ended on that date.

For **PURNACHANDRA RAO & CO.,**
CHARTERED ACCOUNTANTS,

G.V. PURNACHANDRA RAO

Proprietor

HYDERABAD,
27th JUNE, 1998

**ANNEXURE REFERRED TO IN PARAGRAPH
1 OF THE AUDITOR'S REPORT TO
MEMBERS OF EVEN DATE.**

In so far it appears from our verification of books of accounts etc., in our opinion and according to the information and explanation given to us.

1. The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets. All the assets have been physically verified by the Management during the year and there is a regular programme of verification which is reasonable having regards to the size of the Company and nature of its assets. No serious discrepancies have been noticed on the verification of assets.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate having to the size of the company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not significant, and the same have been properly dealt with in the books of account.
6. The valuation of the above mentioned stocks is fair and proper in accordance with normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, and/or from companies under the same management.
8. The company has not granted any loans, secured or unsecured to company, firms or other parties listed in the registers maintained under section 301 and 370 (1-B).
9. In respect of loans and advances in the nature of loans, if any, given by the Company, parties are regular in repayment of the principle amounts as stipulated and have also been regular in the payment of interests, if any.
10. There are adequate internal control procedures commensurate with the size of the company and nature of its business with