

**11th
ANNUAL REPORT
2000 - 2001**

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INCAP LIMITED

INCAP LIMITED

BOARD OF DIRECTORS

Sri U.V. Warlu	Chairman
Sri C. Bhagavantha Rao	Managing Director
Sri K. Ramakoteswara Rao	Executive Director
Sri P. K. Purushothaman	Technical Director
Sri V. Raman Rao	Nominee of APIDC
Sri P. Ram Rao	Director
Sri M. Prabhakar Rao	Director
Sri K. Rambabu	Director
Sri K. Srinivasa Rao	Director
Sri M.N. Rao	Director
Sri M. Ramaiah	Director

AUDITORS

M/s. PURNACHANDRA RAO & Co.,
Chartered Accountants,
Sivalayam Street,
Gowrishankarapuram,
GUDIVADA.

BANKERS :

State Bank of India (Commercial Network Branch)
Patamata,
VIJAYAWADA - 520 007.
State Bank of Hyderabad
Governorpet
VIJAYAWADA - 520 002.

REGISTERED OFFICE AND FACTORY :

INCAP LIMITED
1-58, Nidamanur,
VIJAYAWADA - 521 104,
Krishna District,
Andhra Pradesh.
Tel : 91 - 866 - 842571, 842479, 841147
Fax : 91 - 866 - 842572
E-mail : incap@vsnl.com
URL : www.incapltd.com

INCAP LIMITED

NOTICE

Notice is hereby given that the **ELEVENTH ANNUAL GENERAL MEETING** of **INCAP LIMITED** will be held on **Saturday the 15th September, 2001 at 11.00 a.m.** at the Registered office of the Company at 1-58, Nidamanur, Vijayawada - 521 104, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Balance Sheet as at 31st March, 2001, the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri P. Ram Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri M. Prabhakar Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting till 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 proxy need not be a member. Proxies in order to be effective must reach the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
2. The Register of Members and Share Transfer Books of the company will remain closed from **10th September, 2001 to 15th September, 2001** (both days inclusive).

3. Members are requested to notify immediately any change in their address to the company's registered office.
4. 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 11-00 AM and 1.00 PM upto the date of Annual General Meeting.
5. Members are requested to send all communications relating to shares to the Company's transfer agents at the following address :

M/s. Venture Capital and Corporate Investments limited,
6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, HYDERABAD - 500 004.
Phone : (040) 3322264/4804 Fax : (040) 3324803
6. Members/proxies are requested to deposit the enclosed attendance slip at the meeting.
7. Annual Listing fee has been paid to each of the following exchanges, where company's Securities are listed.

- 1) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, MUMBAI - 400 001.
- 2) The Hyderabad Stock Exchange Limited,
No. 3-6-275, Himayatnagar,
HYDERABAD - 500 029.

By Order of the Board

C.BHAGAVANTHA RAO
MANAGING DIRECTOR

HYDERABAD,
26th May, 2001.

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

INCAP LIMITED

DIRECTORS' REPORT

To the Shareholders,

Your Directors take pleasure in presenting this Eleventh Annual Report on the operations of your company and the Audited Accounts for the financial year ended 31st March, 2001 together with Auditors' Report thereon.

FINANCIAL RESULTS :

The financial results for the year ended 31st March, 2001 are summarised below :

	2000 - 2001	1999 - 2000
	(Rs. in lacs)	
Sales	1044 . 37	1154 . 34
Other Income	9 . 31	9 . 66
Total Income	1053 . 68	1164 . 00
Total Expenditure	866 . 60	930 . 71
Gross Profit before Interest	187 . 08	233 . 29
Interest	57 . 80	56 . 51
Gross Profit after Interest	129 . 28	176 . 78
Depreciation	54 . 54	54 . 11
Miscellaneous Expenses written Off	4 . 58	4 . 58
Profit Before Tax	70 . 16	118 . 09
Provision for Taxation	5 . 95	13 . 97
Profit After Tax	64 . 21	104 . 12
Add : Balance brought Forward from the Previous Year	13 . 44	9 . 32
Profit available for appropriation	77 . 65	113 . 44
Appropriations suggested :		
General Reserve	75 . 00	100 . 00
Balance carried to Balance Sheet	2 . 65	13 . 44

The Board recommends transfer of **Rs. 75.00 lacs** to General Reserve from the un-distributed profits.

INCAP LIMITED

OPERATIONS :

The Company has made a turnover of **Rs. 10.44 crores (Quantity : 67.99 millions)** as against Rs. 11.54 crores (Quantity : 57.38 millions) of the previous year. During the year your company had made a net profit before tax of **Rs. 0.70 crores** as against of Rs. 1.18 crores of the previous year. The production for the year was **73.70 million** pieces as against 55.20 million pieces of the previous year.

Though the Sales Quantity has been increased from 57 millions to 68 millions, the turnover has come down to the extent of Rs. 1.10 crores on account of reduction in prices and product mix throughout the year as compared to previous year. The shortfall in turnover and margins was due to recession in the user industries, coupled with severe pressure on selling prices on account of imports.

FUTURE OUT LOOK :

The Consumer Electronics Industry, on which the Electrolytic Capacitors Industry is largely dependent, is facing severe competition from imports, while the Telecommunications industry is taking roots now in the country and is poised for rapid growth.

Your Directors are confident of achieving a better performance during the current financial year on account of growth in Telecom sector. Your company is also developing Lug and Screw Terminal Capacitors of various ranges and large can size capacitors where huge market demand

is envisaged. The main thrust during the current financial year is on cost control through Value Engineering, Vendor development, Indigenisation, finding alternate sources etc. As a result of this, your company may reduce the prices of the product partly and increase the sales volumes.

Your Directors are happy to inform that your company has successfully developed and started marketing Motor Start Capacitors at highly competitive price. Your company also plans to explore the possibilities of trading in components and computer peripherals etc., during this financial year. Your Directors look forward to the future with confidence.

FINANCE :

During the year, the Company introduced various measures to keep its working capital under control. In fact, due to efficient collection drive, the customers outstanding have come down to Rs. 194 lakhs as on March, 2001 from Rs. 261 lakhs as at the end of the previous year.

The Company wishes to thank State Bank of India and State Bank of Hyderabad for providing adequate working capital facilities for its smooth operations. The Company has been regularly meeting on due dates, all its obligations for payment of interest and term loan installments.

INSURANCE :

All the properties of your company including its buildings, Plant & Machinery and stocks have been adequately insured.

INCAP LIMITED

QUALITY SYSTEM :

Your Company's Certificate for quality system under ISO 9002 from STQC Certification Services, New Delhi Continues to be valid.

DEMATERIALIZATION OF SHARES :

SEBI had made it mandatory that w.e.f. 29-01-2001, the Equity Shares of the Company have to be compulsorily traded in dematerialized form.

Your Company which had entered into an agreement with National Securities Depository Limited (NSDL) during the previous year has in accordance with the SEBI requirements, entered into an agreement with Central Depository Services (India) Limited (CDSL) on 17-11-2000 to enable investors to dematerialize their shares and maintain their account with the depository of their choice.

The ISIN number allotted to the Company is INE 437C01012

DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and the Articles of

Association of the Company, Mr. P. Ram Rao and Mr. M. Prabhakar Rao will retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Board of Directors of your Company state :

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on a going concern basis.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in lacs)

	Current Year	Previous Year
a) Foreign Exchange earnings on exports	Nil	Nil
b) Foreign Exchange used on account of :		
(i) Value of imports of :		
Raw materials & Stores	526.35	584.97
(ii) Capital Goods	Nil	Nil
(iii) Foreign Travel	Nil	Nil

INCAP LIMITED

CONSERVATION OF ENERGY :

The Company does not belong to the category of power intensive industries and hence consumption of power is not significant. However the management is aware of importance of conservation of energy and also reviews from time to time the measures taken / to be taken for reduction of consumption of energy. Your Company continues its efforts to conserve energy wherever practicable by economizing on the use of power through better utilization of equipment and proper production planning.

Form A is not applicable to the Company, as it does not fall under the list of Industries specified in the schedule attached to Rule 2.

TECHNOLOGICAL ABSORPTION :

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

AUDITORS :

Your Company's Auditors M/s. Purnachandra Rao & Co., retire at the conclusion of the forthcoming Annual General Meeting and have signified their willingness to accept re-appointment and confirmed their eligibility under section 224 (1-B) of the Companies Act, 1956.

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 that no employee was in receipt of remuneration of Rs. 12.00 lakhs or more per annum, or Rs. 1,00,000/- or more per month where employed for a part of the year.

ACKNOWLEDGEMENTS :

Your Directors would like to express their appreciation for the assistance and cooperation received from 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.

Your Directors also wish to express their gratitude to investors for the continued faith reposed by them in the Company.

BY ORDER OF THE BOARD

**U.V. WARLU
CHAIRMAN**

HYDERABAD,
26th May, 2001.

INCAP LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF INCAP LIMITED

We have audited the attached Balance Sheet of INCAP LIMITED as at 31st March, 2001 and Profit and Loss Account for the year ended on that 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) The Balance Sheet and Profit & Loss Account read with the notes thereon comply with the Accounting Standards referred to in sub-section 3C of Section 211 of the Companies Act, 1956.
 - e) Based on representations made by all the Directors of the Company and the information and explanations as made available, directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) of Section 274 of the Act.
3. 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 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, 2001 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 profit of the company for the period ended on that date.

For **PUKNACHANDRA RAO & Co.,**
Chartered Accountants

HYDERABAD,
26th May, 2001

G.V.PURNACHANDRA RAO
Partner