

13th
ANNUAL REPORT
2002 - 2003



INCAP LIMITED
ISO 9002 CERTIFIED COMPANY

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	APIDC Nominee
Sri P.Ram Rao	Director
Sri M.Prabhakar Rao	Director
Sri K.Rambabu	Director
Sri K.Srinivasa 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 & FACTORY**INCAP LIMITED**

1-58, Nidamanur,
VIJAYAWADA - 521 104,
Krishna District,
Andhra Pradesh.
Tel : 91 - 866 - 2842571, 2842479,
2841147
Fax : 91 - 866 - 2842572
E-mail : viwincap@sancharnet.in
URL : www.incapltd.com

**REGISTRARS &
SHARE TRANSFER AGENTS**
(PHYSICAL & DEMAT)

**M/s. VENTURE CAPITAL AND CORPORATE-
INVESTMENTS LIMITED,**

6-2-913/914, 3rd Floor,
Progressive Towers, Khairatabad,
HYDERABAD - 500 004.
Phone : (040) 23322264/4804
Fax : (040) 23324803

NOTICE

Notice is hereby given that the **THIRTEENTH ANNUAL GENERAL MEETING** of **INCAP LIMITED** will be held on Saturday, the 23rd August 2003 at 12-00 Noon at the Registered Office of the Company at 1-58, Nidamanur, Vijayawada-521 104, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Account for the year ended 31-03-2003 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2002-2003.
3. To appoint a Director in place of Sri U.V.Warlu, who retires at this Meeting and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri K.Srinivasa Rao, who retires at this meeting and being eligible offers himself for re-appointment.
5. To consider, and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that the Auditors, M/s. Purnachandra Rao & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board".

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of sections 269, read with Schedule XIII and other provisions of the Companies Act, 1956, consent of the company be and is hereby accorded for re-appointment of Sri K.Ramakoteswara Rao as Executive Director of the company for a period of 3 years w.e.f. 9-9-2002 without any remuneration".

7. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT the remuneration payable to Sri.C.Bhagavantha Rao, Managing Director of the company be and is hereby approved as per the terms set out in the Explanatory Statement annexed to the notice covering this Annual General Meeting, which shall also be the minimum remuneration payable to him in the absence or inadequacy of profits, and with authority to the Board of Directors of the company to alter and vary such remuneration, perquisites and benefits, so as not to exceed the limits specified in part II of schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof".

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 18-08-2003 to 23-08-2003 (both days inclusive) for the purpose of payment of dividend on the equity shares of the company for the year ended 31st March, 2003.
3. The Dividend if any declared at this meeting will be paid to those members, whose names appear in the Register of Members of the Company as on 16-08-2003.
4. Members, who hold share in dematerialized form, are requested to bring their client - ID and DPID Nos. for easier identification of attendance at the meeting.
5. A member desirous of getting any information on the accounts or operations of the company is requested to forward his/her queries to the company at least seven working days prior to meeting, so that the required information can be made available at the meeting.
6. Members holding shares in physical form are requested to notify immediately any change in their address and Bank Particulars to the

company or its Share Transfer Agents and in case their shares are held in dematerialized form, the information should be passed on directly to their respective Depository participants and not to the Company / Share Transfer Agents, without any delay.

7. Any request by Demat - holders for change of bank particulars, after despatch of dividend warrants should be accompanied by a copy of Client Master List showing the changed bank details.
8. In all correspondence with the company, members are requested to quote their account / folio numbers and in case their shares are held the dematerialized form, they must quote their DPID and Client ID Number.
9. Investors/Share holders are requested to kindly note that if physical documents viz. Demat Request Forms (DRF) and Share Certificates etc., are not received from their DPs by the Registrar within a period of 15 days from the date of generation of the DRN for dematerialization, the DRN will be treated as rejected / cancelled. This step is being taken on the advice of National Securities Depository Limited (NSDL) so that no demat request remains pending beyond a period of 30 days. Upon rejection / cancellation of the DRN, a fresh DRF has to be forwarded along with the share certificates by the DPs to the Registrar. This note is only caution to Investors / Shareholders that they should ensure that their DPs do not delay in sending the DRF and Share Certificates to the registrar after getting the DRN.
10. Members holding share in physical form are requested to inform their Bank Account Numbers and Bank branch details to the Company to enable it to include these details in the dividend warrants and thus minimize the chances of loss of dividend warrants falling in wrong hands. The above information may be given to the Company's Registered office or it's Share Transfer Agents on or before 2nd August, 2003.
11. 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 A.M and 1.00 P.M. upto the date of Annual General Meeting.

12. Members are requested to send all communications relating to Shares to the Company's transfer 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) 23322264/4804
Fax : (040) 23324803
13. Members/proxies are requested to deposit the enclosed attendance slip at the meeting.

ANNEXUTE TO NOTICE

Explanatory Statement Under Section 173(2) of the Companies Act, 1956

ITEM NO. 6 :

As the term of the Executive Director expires on 8-9-2002 it is recommended to re-appoint Sri K.Ramakoteswara Rao as Executive Director for a further period of 3 years without any remuneration. As per the provisions of the Companies Act, it requires the approval of the members at their meeting; therefore, the resolution is recommended for approval of the members.

None of the Directors of the company is interested except Sri K. Ramakoteswara Rao as it relates to his re-appointment.

ITEM NO. 7 :

Sri C.Bhagavantha Rao was re-appointed as a Managing Director of the company at the Annual General Meeting of the company held on 21-9-2002 for a period of 3 years with effect from 1-2-2002. The Board of Directors at their meeting held on 28-6-2002 changed the terms of appointment by fixing the following remuneration, subject to the approval of members in General Meeting.

The following are the terms of remuneration, which are in conformity with Schedule XIII of the Companies Act, 1956, and are subject to approval of members.

Salary : Rs. 23,000/- per month (Rupees twenty three thousand only)

1. PERQUISITES

PART A

Housing I :

The expenditure by the Company on hiring unfurnished accommodations will be subject to a ceiling of 25% of salary, over and above 10% payable by Sri C.Bhagavantha Rao.

Housing II :

In case accommodation is owned by the Company, 10% of the salary of Sri C.Bhagavantha Rao shall be deducted by the Company.

Housing III :

In case no accommodation is provided by the Company, Sri C.Bhagavantha Rao shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax Rules, 1962. This will however be subject to a ceiling of 10% of the Salary.

2. MEDICAL REIMBURSEMENT :

Expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

3. LEAVE TRAVEL CONCESSION :

For self and family once in a year in accordance with any rules specified by the Company.

4. CLUB FEES :

Fees of clubs subject to a maximum of one club, admission and life membership fees not being allowed.

5. PERSONAL ACCIDENT INSURANCE :

Premium not to exceed Rs. 1000/- per annum.

6. ENTERTAINMENT EXPENSES :

Reimbursement of Entertainment Expenditure not exceeding Rs. 1000 /- per month.

PART - B

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half-a-month's salary for each completed year of service.

PART - C

Provision of (i) car with driver and (ii) telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to Sri C.Bhagavantha Rao.

Provided that if any financial year, during the tenure of the Managing Director, the company has no profits or its profits are inadequate, it may pay Sri C.Bhagavantha Rao remuneration by way of salary and perquisites not exceeding the limits specified above.

Your Directors recommend the resolution for approval.

None of the Directors of the company except Sri. C.Bhagavantha Rao is concerned with or interested in the resolution.

By Order of the Board

For INCAP LIMITED

**C.BHAGAVANTHA RAO
MANAGING DIRECTOR**

Hyderabad,
May 30, 2003.

DIRECTORS' REPORT**To the Shareholders,**

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2003 together with Auditors' Report thereon.

FINANCIAL RESULTS :

The Financial Results for the year ended 31st March, 2003 are summarized below :

	2002-2003	2001-2002
	(Rs. In Lakhs)	
Sales	1164.64	1150.88
Other Income	18.95	3.12
Total Income	1183.59	1154.00
Total Expenditure	1056.03	1001.41
Profit before Interest, Depn. & Tax	127.56	152.59
Interest	3.68	39.58
Profit before Depn. & Tax	123.88	113.01
Depreciation	51.56	54.61
Miscellaneous Expenses w/o.	2.62	4.58
Profit before Tax	69.70	53.82
Provision for Tax	26.26	3.76
Deferred Tax Liability Adj.	9.35	0.00
Profit after Tax	52.79	50.06
Add: Brought forward from previous year	0.11	2.65
	52.90	52.71
Appropriations :		
Provision for Dividend	46.53	49.11
Tax on Dividend	6.11	0.00
Transferred to General Reserve	0.00	0.00
Income Tax Prov. relating to previous years	-0.06	3.48
Surplus Carried to Balance Sheet	0.32	0.12
Equity Share Capital	465.32	491.14
Earning Per Share (Rs.)	1.13	1.02
Book Value	14.30	16.89
Net worth	665.28	829.63

NOTE : Previous year's figures are regrouped wherever necessary.

DIVIDEND :

The Directors are pleased to recommend payment of a Dividend of Rs. 1.00 per equity share (@ 10% on par value of Rs. 10/- each), subject to the approval of shareholders (previous year Rs. 1/- per equity share of Rs. 10/- each). If approved, the dividend will be paid to eligible shareholders registered in the books of the company as on 16-08-2003.

OPERATIONS :

The Turn over for the year 2002-2003 is recorded at Rs. 1164.64 lakhs compared to Rs. 1150.88 lakhs for the year 2001-2002. Inspite of severe pressure on price front, your company is able to cross last year turn over marginally. The net profit for 2002-2003 is at Rs. 52.79 lakhs.

FUTURE OUTLOOK :

The electronic component industry is facing severe competition from imports as well as Indian manufacturers. However, given the continued support, your company product enjoy support from the key customers and confident of maintaining the position of leadership for the current year also.

DEPOSITS :

The company has not accepted any deposits from the public during the year under review.

INSURANCE :

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

QUALITY SYSTEM :

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

CORPORATE GOVERNANCE :

As required under Clause 49 of the Listing Agreement, a report on corporate Governance is provided elsewhere in this Annual Report.

DIRECTORS :

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

of the Company, Sri. U.V.Warlu and Sri. K.Srinivasa Rao will retire by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for re-appointment.

Sri M.N. Rao resigned from the Board with effect from 27-3-2003. The Board wishes to place on record its sincere appreciation for the valuable services rendered by Sri M.N.Rao during his tenure as the Director of the company.

DISCLOSURE AS PER LISTING AGREEMENT :**Clause 32 :**

The cash flow statement in accordance with Accounting Standard and cash flow statement (AS-3) issued by ICAI is appended to this Annual Report.

Clause 43A :

The Company's shares are listed on The Hyderabad Stock Exchange Limited, No. 3-6-275, Himayatnagar, Hyderabad - 500 029; and The Stock Exchange, Mumbai, P.J. Towers, Dalal Street, Fort, Mumbai. The annual listing fees to both the Stock Exchanges for the year 2003-04 have been paid.

DIRECTORS' RESPONSIBILITY STATEMENT :

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further your Directors state that these accounting records have formed the basis in the preparation of financial statements of the company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm compliance that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2003 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent

judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on going-concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

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.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. In Lakhs)

	Current Year	Previous Year
a) Foreign Exchange earnings on exports	Nil	Nil
Foreign Exchange used on account of :		
(i) Value of imports of :		
Raw materials & Stores	550.90	500.41
(ii) Capital Goods	Nil	Nil
(iii) Foreign Travel	Nil	Nil

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. 24,00,000/- or more per annum, or Rs. 2,00,000/- 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 co-operation 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

HYDERABAD,
May 30, 2003

U.V.WARLU
CHAIRMAN

CORPORATE GOVERNANCE**1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :**

Corporate Governance refers to the combination of voluntary practices and compliance's with laws and regulations leading to effective control and management of the organization. The fundamental objective of Incap's Corporate Governance is "enhancement of the long-term shareholder value at the same time protecting the interests of other Shareholders". Corporate Governance brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organization towards creating a wealth and shareholder value.

2. BOARD OF DIRECTORS AND MEETINGS :**(i) Board of Directors :**

The present strength of the Board of Directors is 9 (Excluding APIDC Nominee) and is responsible for the Management of the Company's business. The functions, responsibility, role and accountability of the Board are well defined. The Board in addition to monitoring corporate performance also carries out functions such as approving the business plan, reviewing and approving the annual budgets and borrowing limits and ensure that your Company keeps shareholders informed about plans, strategies and performance. The detail report of the Company's performance are periodically placed before the Board. The Board consists of 3 Executive Directors and 6 Non-Executive Independent Directors.

Promoter/Executive Directors

Sri C. Bhagavantha Rao Managing Director

Sri K. Ramakoteswara Rao Executive Director

Sri P. K. Purushothaman Technical Director

Non-Executive and Independent Directors

Sri U.V. Warlu

Sri P. Ram Rao

Sri M. Prabhakar Rao

Sri K. Rambabu

Sri K. Srinivasa Rao

Sri M. Ramaiah

(ii) Board Meetings :

During 2002 - 03, the Board of Directors met 4 times on the following dates

Sl.No.	Date of Board Meeting
1	28.06.2002
2	21.09.2002
3	23.12.2002
4	27.03.2003

(iii) The details of attendance of each Director at the Board Meetings, last Annual General Meeting are as follows.

Name of the Director	Attendance Particulars	
	Board Meetings	Last AGM
Sri U. V. Warlu	3	No
Sri C. Bhagavantha Rao	4	Yes
Sri K. Ramakoteswara Rao	4	Yes
Sri P. K. Purushothaman	4	Yes
Sri V. Raman Rao	4	Yes
Sri P. Ram Rao	-	No
Sri M. Prabhakar Rao	2	No
Sri K. Rambabu	2	No
Sri K. Srinivasa Rao	3	Yes
Sri M. Ramaiah	2	No
Sri M.N. Rao (Resigned from the Board on 27-3-2003)	2	Yes

3. AUDIT COMMITTEE

The Audit Committee consisting of 4 Non-Executive independent Directors with Sri U.V. Warlu as Chairman, and Sri K. Srinivasa Rao, Sri K. Rambabu and Sri M. Ramaiah as other members was formed with the role and responsibilities as per Clause 49 of the Listing Agreement. The Audit Committee met twice during the year 2002-2003. While Sri U.V. Warlu and Sri K. Srinivasa Rao attended both the meetings, Sri K. Rambabu and Sri M. Ramaiah could not attend the meetings during the year.

4. REMUNERATION OF DIRECTORS :

The Company does not remunerate the Non-Executive Directors of the Company except for the payment of sitting fees for attending each Meeting of the Board or Committee thereof. Remuneration to Executive Directors is fixed by the Board and approved by the shareholders at the Annual General Meeting. Particulars of their remuneration for the year ended 31st March, 2003 are given below.

Name of the Director	Remuneration				
	Sitting Fee	Salary	Perquisites	Commission	Total
Executive Directors					
Sri C. Bhagavantha Rao	Nil	276000	69000	Nil	345000
Sri K. Ramakoteswara Rao	Nil	Nil	Nil	Nil	Nil
Sri P. K. Purushothaman	Nil	258000	64500	Nil	322500
Non-Executive Directors					
Sri U.V. Warlu	750	Nil	Nil	Nil	750
Sri V. Raman Rao	1000	Nil	Nil	Nil	1000
Sri P. Ram Rao	Nil	Nil	Nil	Nil	Nil
Sri M. Prabhakara Rao	500	Nil	Nil	Nil	500
Sri K. Ram Babu	500	Nil	Nil	Nil	500
Sri K. Srinivasa Rao	750	Nil	Nil	Nil	750
Sri M. Ramaiah	500	Nil	Nil	Nil	500
Sri M.N. Rao	500	Nil	Nil	Nil	500
(Resigned from the Board on 27-3-2003)					