

INCAP

**14th
ANNUAL REPORT
2003 - 2004**

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 : vjwincap@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 **FOURTEENTH ANNUAL GENERAL MEETING** of **INCAP LIMITED** will be held on 28th August, 2004 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 31-03-2004 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2003-2004.
3. To appoint a Director in place of Sri P.Ram Rao, who retires at this meeting and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri M. Prabhakar 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 a Special Resolution :

"RESOLVED THAT the Equity shares of the company be de-listed from Hyderabad Stock Exchange Limited in accordance with relevant laws, rules, regulations and guidelines (including statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions and sanctions from such authorities for compliance with such conditions and modifications as may be necessary for this purpose".

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to seek voluntary de-listing without giving an exit option to the share holders at such time as they may, in absolute discretion, consider appropriate on the terms and conditions as may be stipulated and in the best interests of the company, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may deem necessary, proper or desirable and to settle any questions, doubts or issues that may arise in regard to de-listing of the Equity Shares and to execute all such deeds, documents, writings, as may be necessary, desirable or expedient and for this purpose to delegate authority and duty vested in it by virtue hereof to the Whole-Time Director may consider suitable to do various acts and things required to be done in this behalf."

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 23-8-04 to 28-8-04 (both days inclusive) for the purpose of payment of dividend on the equity shares of the company for the year ended 31st March, 2004.
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 23-8-04.
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 DP ID 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 / shareholder 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 its Share Transfer Agents on or before 23-8-04.

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. up to 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 Corporation 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.

14. 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.

ANNEXUTE TO NOTICE

Explanatory Statement Under section 173(2) of the companies Act, 1956

The Equity shares of the Company are listed on Hyderabad and Mumbai Stock Exchanges.

They are traded in the Stock Exchanges compulsorily in demat mode with effect from

29-01-2001 consequent to the rapid technological changes in the trading system at Stock Exchanges, substantial volume of trading has taken place only through Mumbai Stock Exchange (BSE). The trading volume at the Hyderabad Stock Exchange has been negligible for almost 3 years. Your Directors are of the view that no particular benefit is available to the share holders of the Company by continuing the listing of share on this Stock Exchange. Such de-listing will also not effect trading facilities of the shareholders of the Company in view of the dematerialization of shares, listing of shares at BSE and availability of on-line trading at Hyderabad. The Company is therefore, contemplating the possibility of de-listing its shares from the aforesaid stock exchange without giving an exit option to the shareholders, as the securities of the company will continue to be listed at Mumbai Stock Exchange. None of the Directors of the Company is in anyway, concerned or interested in the said resolution. Your Directors, therefore, recommend the resolution to be passed as a special resolution.

**By Order of the Board
For INCAP LIMITED**

**C.BHAGAVANTHA RAO
MANAGING DIRECTOR**

HYDERABAD,
June 28, 2004.

DIRECTORS' REPORT**To the Shareholders,**

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2004 together with Auditors' Report thereon.

FINANCIAL RESULTS :

The Financial Results for the year ended 31st March, 2004 are summarized below :

	2003-2004	2002-2003
	(Rs.In Lakhs)	
Sales	1242.18	1164.64
Other Income	22.00	18.95
Total Income	1264.18	1183.59
Total Expenditure	1120.69	1056.03
Profit before Interest, Depn. & Tax	143.49	127.56
Interest	2.89	3.68
Profit before Depn. & Tax	140.60	123.88
Depreciation	56.59	51.56
Miscellaneous Expenses w/o.	0.00	2.62
Profit before Tax	84.01	69.70
Provision for Tax	39.86	26.26
Deferred Tax Liability	10.53	9.35
Profit after Tax	54.68	52.79
Add: Brought forward from previous year	0.33	0.11
	55.01	52.90
Appropriations :		
Provision for Dividend	46.53	46.53
Tax on Dividend	5.96	6.11
Transferred to General Reserve	0.00	0.00
Income Tax Prov. relating to previous years	1.70	-0.06
Surplus Carried to Balance Sheet	0.82	0.32

DIVIDEND :

The Board of Directors recommend for your consideration a dividend on equity shares at 10% (Rs.1.00 per equity share) for the year ended March 31, 2004. The total amount of outgo on account of these will be Rs. 46.53 lakhs towards dividend and Rs. 5.96 lakhs towards tax on dividend.

OPERATIONS :

The market demand for the Company's product has shown substantial growth during the year 2003-2004 and continues to be good. There has been improvement in the sales volume as well as the price realization, compared to the previous year. Your Company's value of Sales increased to Rs. 1242 lakhs from Rs. 1165 lakhs for the previous year indicating a growth of 7%. In spite of severe pressure on price front, your company made a net profit of Rs. 54.68 lakhs during the year. The capacity utilization of the Company has been improving over the past few months.

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 :

The Company has complied with all mandatory provisions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement. A report on Corporate Governance, along with the certificate on its compliance from the Auditors forms part of this report.

DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Sri. P. Ram Rao and Sri. M.Prabhakar Rao will retire by rotation at the

ensuing Annual General Meeting and, being eligible, offers themselves for reappointment.

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 43 A:

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 (BSE), P.J. Towers, Dalal Street, Fort, Mumbai. The annual listing to BSE for the year 2003-2004 has been paid.

VOLUNTARY DE-LISTING FROM HYDERABAD STOCK EXCHANGE :

The Equity Shares of your Company, which are under Compulsory Demat, are presently listed on Hyderabad and Mumbai Stock Exchanges. Mumbai Stock Exchange is accessible for on-line trading across the Country. As explained in the Explanatory Statement of the notice of the Annual General Meeting, there has been "nil" trading in the Hyderabad Stock Exchange for almost 3 years. In view of this, the Company proposes to voluntarily de-list from the said Stock Exchange without giving an exit option to the shareholders. The interests of the shareholders in the said region will not be affected adversely as the on-line services of the Mumbai Stock Exchange are available at Hyderabad.

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, 2004 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.

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	581.88	550.90
(ii) Capital Goods	19.23	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.

INDUSTRIAL RELATIONS :

Your company has had harmonious industrial relations throughout the year under review at all levels of the organization, and would endeavor to maintain this cordial relationship.

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.

ACKNOWLEDGEMENTS :

Your Directors wish to express their grateful 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 co-operation 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,
June 28, 2004

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**To****The Members of INCAP LIMITED**

We have examined the compliance of conditions of corporate governance by INCAP LIMITED, for the year ended on 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders / Investors Grievance committee.

We 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 PURNACHANDRA RAO & CO.,
Chartered Accountants,

G.V.PURNACHANDRA RAO
Partner

HYDERABAD,
June 28, 2004

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 action of the organization towards creating a wealth and shareholder value.

2. BOARD OF DIRECTORS AND MEETING :**(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 2003-2004, the Board of Directors met 4 times on the following dates :

Sl.No.	Date of Board Meeting
1.	30-05-2003
2.	23-08-2003
3.	29-12-2003
4.	27-03-2004

(iii) The details of Attendance of each Director at the Board Meeting, Last Annual General Meeting are as follows

Name of the Director	Attendance Particulars	
	Board Meeting	Last AGM
Sri U. V. Warlu	3	NO
Sri C. Bhagavantha Rao	4	YES
Sri K. Ramakoteswara Rao	3	NO
Sri P. K. Purushothaman	4	YES
Sri V. Raman Rao	4	YES
Sri P. Ram Rao	1	NO
Sri M. Prabhakar Rao	2	NO
Sri K. Rambabu	1	YES
Sri K. Srinivasa Rao	2	NO
Sri M. Ramaiah	2	NO