

INCAP

**15th
ANNUAL REPORT
2004 - 2005**

INCAP LIMITED

ISO 9001:2000 CERTIFIED COMPANY

BOARD OF DIRECTORS

Sri M. Prabhakar Rao	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 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,
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 **FIFTEENTH ANNUAL GENERAL MEETING** of **INCAP LIMITED** will be held on 27th August, 2005 at 12-00 noon at the Registered Office of the Company at 1-58, Nidamanur, Vijayawada-521104, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Account for the year ended 31-03-2005 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2004-2005.
3. To appoint a Director in place of Sri K. Srinivasa Rao, who retires at this meeting and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri K. Rambabu, 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, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the company hereby approves the re-appointment of Mr. P.K. Purushothaman as a whole-time Director of the Company designated as "Technical Director" for a period of three years from 12-09-2004 on the terms and conditions including remuneration set out in the explanatory statement annexed to the notice entered into by the company with him, submitted to the meeting and the same is hereby approved by the Board of Directors in its meeting held on 19th December, 2004".

7. "RESOLVED that pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the company hereby approves the re-appointment of Mr. C. Bhagavantha Rao as a Whole-time Director of the Company designated as "Managing Director" for a period of 3 years from 01-02-2005 on the terms and conditions including remuneration set out in the explanatory statement annexed to the notice entered into by the company with him, submitted to the meeting and the same is hereby approved by the Board of Directors in its meeting held on 26th March, 2005."

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 22-08-05 to 27-08-05 (both days inclusive) for the purpose of payment of dividend on the equity shares of the company for the year ended 31st March, 2005.
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 22-08-05.
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 Number 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 22-08-05.
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 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.

14. Annual Listing fee has been paid to the following Exchange, where company's Securities are listed.

- 1) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, MUMBAI – 400 001.

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

Item No. 6

The Board of Directors of the company at its meeting held on 19-12-2004 reappointed Mr. P.K. Purushothaman as a Whole-Time Director of the Company designated as Technical Director, subject to approval of the share holders of the General Meeting. The terms and conditions on which Mr. P.K.Purushothaman has been re-appointed as the Technical Director of the company shall contain the following remuneration which shall be within the overall ceilings as specified in schedule XIII of the Companies Act, 1956.

1. The whole time Director shall, subject to the supervision and control of the Board of Directors and / or Managing Director of the

company, manage the business and affairs of the company.

2. PERIOD OF THE AGREEMENT : Three Years with effect from 12-09-2004.
3. REMUNERATION PAYABLE : (with effect from 12-09-2004)

- (a) Salary : Rs. 27,700 (Rupees Twenty Seven thousand Seven hundred only) per month (including dearness and other allowances)

PERQUISITES :

i) HOUSING :

1. In case no accommodation is provided by the Company Mr. P.K. Purushothaman shall be entitled to House rent allowance to the extent of 25% of the Salary.
2. Expenses pertaining to gas, electricity, water and other utilities will be borne/ reimbursed by the Company.

ii) MEDICAL REIMBURSEMENT :

Reimbursement of actual medical expenses incurred in India and including hospitalisation, nursing home and surgical charges for himself and family as per company rules (i.e. one month salary in a year or 3 months salary over a period of 3 years).

iii) LEAVE TRAVEL CONCESSION :

Mr. P.K.Purushothaman and his family once in a year incurred in accordance with the rules of the Company.

iv) CONTRIBUTION TO PROVIDENT FUND, SUPER ANNUATION AND ANNUITY FUND :

The Companies contribution to provident Fund and Superannuation or Annuity fund as per the rules of the Company applicable to senior Executives.

v) GRATUITY :

As per the rules of the company applicable to Senior Executives.

vi) LEAVE :

Entitled to one months leave as per the rules of the company on full pay, for every 11 months of service.

EXPLANATION :

Perquisites shall be evaluated as per the Income tax rules, 1962 wherever applicable and in the absence of any such rules, perquisites shall be evaluated at cost.

AMENITIES :**I) CONVEYANCE FACILITIES :**

Use of Company's car on Company's Business with driver. Use of car private purpose shall be billed by the company to Mr.P.K. Purushothaman.

II) TELEPHONE :

Free telephone facility at the residence for the use of the company's business. Personal long distance calls on telephone shall be billed by the company to Mr. P.K. Purushothaman.

III) MINIMUM REMUNERATION :

In the event of loss or indecency of profits in any financial year during the current tenure of service of the Technical Director, the Payment of salary, perquisites and other allowances shall be governed by the limits prescribed under section 11 of the part II of Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof as may for the time being in force.

The draft of the Agreement to be executed between Mr. P.K. Purushothaman and the

company as approved by the Board of Directors is available for inspection by the members at the Registered Office of the company on any working day except holidays observed by the company during usual business hours and will also be available at the meeting.

Mr. P.K. Purushothaman may be deemed to be concerned or interested in the resolution in his re-appointment. No other Director of the company is interested in this resolution.

Item No. 7

The Board of Directors of the Company at its meeting held on 26-03-2005 re-appointed Mr. C. Bhagavantha Rao as a Whole-Time Director of the Company designated as Managing Director, subject to approval of the share holders of the General Meeting. The terms and conditions on which Mr. C. Bhagavantha Rao has been re-appointed as the Managing Director of the company shall contain the following remuneration which shall be within the overall ceilings as specified in schedule XIII of the Companies Act, 1956.

1. The whole time Director shall, subject to the supervision and control of the Board of Directors of the Company, manage the business and affairs of the company.
2. **PERIOD OF THE AGREEMENT :** Three Years with effect from 01-02-2005.
3. **REMUNERATION PAYABLE :** (with effect from 01-02-2005)

Salary : Rs. 37,000/- per month (Rupees Thirty Seven Thousand only)

4. PERQUISITES :**Part -A****I. HOUSING :****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 Mr. C. Bhagavantha Rao.

Housing ii :

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

Housing iii :

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

The Expenditure incurred 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 Rs. 3,750/- per month.

II. MEDICAL REIMBURSEMENT :

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

III. LEAVE TRAVEL CONCESSION :

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

IV. CLUB FEES :

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

V. PERSONAL ACCIDENT INSURANCE :

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

VI. 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 Mr. 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 Mr. 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 Mr. 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,
June 25, 2005.

DIRECTORS' REPORT**To the Shareholders,**

Your Directors have pleasure in presenting the Fifteenth Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2005 together with Auditors' Report thereon.

FINANCIAL RESULTS :

The Financial Results for the year ended 31st March, 2005 are summarized below :

	2004-2005	2003-2004
	(Rs.In Lakhs)	
Sales	1314.07	1242.18
Other Income	24.37	22.00
Total Income	1338.44	1264.18
Total Expenditure	1176.96	1120.69
Profit before Interest, Depn. & Tax	161.48	143.49
Interest	7.79	2.89
Profit before Depn. & Tax	153.69	140.60
Depreciation	57.90	56.59
Profit before Tax	95.79	84.01
Provision for Tax	48.39	39.86
Deferred Tax Liability (Net)	9.00	10.53
Profit after Tax	56.40	54.68
Add: Brought forward from previous year	0.82	0.33
	57.22	55.01
Appropriations :		
Provision for Dividend	46.53	46.53
Tax on Dividend	6.08	5.96
Income Tax Prov. relating to previous years	4.46	1.70
Surplus Carried to Balance Sheet	0.15	0.82

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, 2005. The total amount of outgo on account of these will be Rs. 46.53 lakhs towards dividend and Rs. 6.08 lakhs towards tax on dividend.

OPERATIONS :

The market demand for the Company's product has shown substantial growth during the year 2004-2005 and continues to be good. There has been improvement in the sales volume compared to the previous year. Your Company's value of Sales increased to Rs. 1314 lakhs from Rs. 1242 lakhs for the previous year indicating a growth of 6%. Inspite of severe pressure on price front, your company made a net profit of Rs. 56.40 lakhs during the year.

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 9001:2000 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. K. Srinivasa Rao and Sri. K. Rambabu will retire by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for reappointment.

CHAIRMAN :

The Board of Directors elected Sri M. Prabhakar Rao as Chairman of the Board of Incap Limited in its meeting held on 19-12-2004 and passed the following resolution.

"RESOLVED that pursuant to the provisions of Articles of Association of the company Sri M. Prabhakar Rao be and is hereby elected as Chairman of the Board of Incap Limited".

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 Stock Exchange, Mumbai (BSE), P.J. Towers, Dalal Street, Fort, Mumbai. The annual listing fee to BSE for the year 2004-2005 has been paid.

The company's share were delisted from Hyderabad Stock Exchange with effect from 13-04-2005 after due compliance of the delisting guidelines issued by SEBI and procedures for delisting prescribed by Hyderabad Stock Exchange.

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, 2005 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	764.02	581.88
(ii) Capital Goods	7.39	19.23
(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.

2nd October, 2004 of Sri U.V. Warlu Chairman of our Company. Your directors place on record their appreciation of the valuable services rendered by Sri U.V. Warlu.

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.

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.

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.

INDUSTRIAL RELATIONS :

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

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**TRIBUTE TO SRI U.V. WARLU :**

Your Directors deeply mourn the sad demise on

**M. PRABHAKAR RAO
CHAIRMAN**

HYDERABAD,
June 25, 2005.