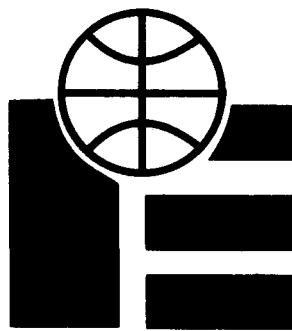


# **33rd Annual Report 2002-2003**



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## **INCON ENGINEERS LIMITED**

For INCON ENGINEERS LTD.

A handwritten signature in black ink, appearing to be 'S. S. S.', written over the printed name of the Managing Director.

Managing Director



## **CONTENTS**

1. Board of Directors
2. Notice to the Members
3. Report of the Directors
4. Report of the Directors on Corporate Governance
5. Report of the Auditors to the Members
6. Balance Sheet
7. Profit and Loss Account
8. Cashflow Statement
9. Schedules to the forming part of the Accounts
10. Significant Accounting Policies
11. Notes forming part of Accounts

**BOARD OF DIRECTORS**

<b>SRI SREEDHAR CHOWDHURY</b>	Managing Director
<b>SRI A.SUBBA RAO</b>	Director
<b>SRI S.MANO HAR RAJU</b>	Director
<b>SRI K.L. SRINIVAS</b>	Director
<b>Dr. B. NEETA KUMARI</b>	Director
<b>AUDITORS</b>	M/s Brahmayya & Company Flat No.403 & 404 Golden Green Apartment Irrumanzil Colony, Hyderabad – 500 082

<b>BANKERS</b>	State Bank of India Commercial Branch Flat No.101 to 106 A, Ashoka My Home Chambers Block B, S.P. Road Secunderabad
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**REGISTERED OFFICE & FACTORY** B -6/3, I.D.A., Uppal, Hyderabad —500 039

**REGISTRARS & SHARE  
TRANSFER AGENTS  
(PHYSICAL & DEMAT)** Venture Capital and Corporate Investments Ltd.  
6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers,  
Khairatabad, Hyderabad – 500 004.

**STOCK EXCHANGE LISTINGS** The Hyderabad Stock Exchange Ltd.  
6-3-654, Adj. Irrumanzil Bus Stop,  
Somajiguda,  
HYDERABAD-500082.

The Stock Exchange, Mumbai,  
P.J.Towers, Dalal Street, MUMBAI - 400 001

The Calcutta Stock Exchange Association Limited  
7, Lyons Range, CALCUTTA - 700001.

**Note on Depository**

It may be noted that the Shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors w.e.f. 01.01.2002. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories.



## INCON ENGINEERS LIMITED

### NOTICE:

NOTICE is hereby given that the 33<sup>rd</sup> Annual General Meeting of Incon Engineers Limited will be held on Thursday, the 28<sup>th</sup> August, 2003 at 11.00 a.m. at its Registered Office at B-6/3, I.D.A. Uppal, Hyderabad - 500039 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2003 together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.L. Srinivas, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider the re-appointment of M/s. Brahmaya & Company, Chartered Accountants as Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, at such remuneration and reimbursement of out of pocket expenses as may be mutually agreed upon between the Board of Directors and the Auditors.

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 (including any statutory amendments) and the Rules framed thereunder, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements and all other applicable laws and rules, regulations and guidelines and subject to such approvals, permissions and sanctions as

may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred as the "Board" which term shall include any committee thereof for the time being exercising the powers conferred by the Board), consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from all or any of the Stock Exchanges at Hyderabad and Kolkata."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting and take all necessary actions in this regard and to do all such acts, deeds, matters and things as may be necessary for the purpose of giving effect to the above resolution."

For and on behalf of the  
Board of Directors

**SREEDHAR CHOWDHURY**  
Chairman and Managing Director

Place : Hyderabad  
Date : 27-06-2003

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and proxy need not be a member of the Company. Proxy Form in order to be effective, must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
  2. Register of Members and Share Transfer Books shall remain closed from 22-08-2003 to 28-08-2003 (both days inclusive).
  3. Members desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
  4. The instruments of share transfer, complete in all respects, should reach the Company prior to the closure of Register of Members as stated above.
  5. Members are requested to notify change in address, if any, immediately to the Company, quoting their folio number.
- has nationwide trading terminals. Thus no particular benefit is available to the investors by continuing the listing of the shares of the company on HSE and CSE.
- As per the new SEBI (Delisting of Securities) Guidelines – 2003 (Guidelines) which have been notified recently, the Company can delist its shares from HSE and CSE without providing an exit opportunity, provided that the shares will continue to be listed on a stock exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE). The Company's Equity Shares are listed on BSE which has nationwide trading terminals and it will be continued to be listed on BSE. As per the Guidelines, delisting from HSE and CSE is possible with the approval of Members by passing a Special Resolution.
- None of the Directors is concerned or interested in the resolution.
- The Board recommends the proposed resolution for your approval.
- For and on behalf of the  
Board of Directors

**EXPLANATORY STATEMENT**

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956)

**SREEDHAR CHOWDHURY**  
Chairman and Managing Director

**Item No.4**

Place : Hyderabad  
Date : 27-06-2003

At present, the Equity Shares of the Company are listed on three Stock Exchanges namely, The Hyderabad Stock Exchange Limited (HSE), The Stock Exchange, Mumbai (BSE) and The Kolkata Stock Exchange Association Ltd. (CSE). HSE is the Regional Stock Exchange of the Company. With the introduction of electronic trading system, investors have access to online trading nationwide. Further trading in the shares of the company is largely carried only at BSE, which



## INCON ENGINEERS LIMITED

### DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 33<sup>rd</sup> Annual Report and Audited Balance Sheet and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2003.

### FINANCIAL RESULTS

Details	Rupees in Lakhs	
	For the year ended 31.03.2003	Previous year ended 31.03.2002
Sales/ Income		
from operations	25.82	44.70
Other Income	32.09	1.55
Manufacturing Expenses	32.94	46.71
Other Expenses	117.38	19.04
Interest	2.88	3.90
Gross Profit/ (Loss) after Interest before Depreciation and Tax	(95.29)	(23.40)
Depreciation	6.26	6.41
Profit / (Loss) after Taxation	(101.55)	(29.81)
Less: Investment Allowance		
Reserve Written back	—	0.09
Profit / (Loss)	(101.55)	(29.72)

### OPERATIONS

With the continued poor performance of the industrial Capital Goods and Agricultural sectors, your Company continued its past policy of cutting costs and conserving resources. Your Directors are hopeful that this cautious approach will enable the Company to take a more aggressive stand when the situation so demands in future.

### FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year.

### DIRECTORS

Pursuant to the provision of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Shri K.L. Srinivas retires at the ensuing AGM and being eligible offers himself for re-appointment.

### AUDITORS

M/s. Brahmayya & Co. Chartered Accountants, Hyderabad, the Auditors of the Company, retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

### AUDITORS' REPORT

Your Auditors have commented vide Clause 4(vi) that they are unable to ascertain whether some of the amounts shown under the heads, Sundry Debtors, Other Current Assets and Loans and Advances are realizable in the absence of confirmation letters from the respective parties. The Audit Committee of the Company consisting of three independent Directors have thoroughly examined each item on a case to case basis and have taken a conservative stand of recommending writing-off of all such items, which they consider not realizable. The Company is taking all necessary steps to ensure recovery of all amounts due to the Company.

### PARTICULARS OF EMPLOYEES

Information in accordance with sub – section (2-A) of section 217 of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975, furnished below.

N I L

### OTHER INFORMATION

Information in accordance with clause (e) 1 of Sub-section (1) of section 217 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is annexed here to and forms part of the report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, it is hereby confirmed :

- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;



## INCON ENGINEERS LIMITED

- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and loss of the Company for the year under review;
- 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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2003, on a 'going concern' basis.

### DEMATERIALIZATION OF SHARES

The Company's shares are available for holding/transfer in depository system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL). Members have the option of holding the shares in physical or dematerialised form.

The International Securities Identification Number (ISIN) allotted for the Company by NSDL and CDSL is ISIN INE507 D01010. In case a member wants his shares to be dematerialised, he may send the shares along with the request through his depository participant to the Registrars M/s. Venture Capital and Corporate Investments Ltd.

### ACKNOWLEDGEMENT

Your Directors are pleased to record their appreciation to the Companies bankers, M/s. State Bank of India, investors and suppliers for the confidence reposed in the Company.

For and on behalf of the  
Board of Directors

**SREEDHAR CHOWDHURY**  
Chairman and Managing Director

Place : Hyderabad  
Date : 27-06-2003

### MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The year ending 31<sup>st</sup> March, 2003 saw difficult economic conditions in India and in general, all over the world. This outlook has affected the agricultural and industrial sectors where the Company's activities are centered. The Company's sales of power tillers have been gradually coming down over the past few years as the banking system has become increasingly reluctant to extend loans to small farmers in view of their reported poor repayment performance. But considering the importance of the agricultural sector in the Indian economy, the Company has sponsored a research project for developing modern farming techniques to increase productivity and is hopeful that this will result in encouraging opportunities in the future.

The Company's Chemical Process Equipment manufacturing is showing renewed growth prospects with the bulk drug industry performing better.

Considering the above scenario, the Company has continued to cut back on its overheads keeping operations at a level, which could be easily ramped up, should the situation demand the same.

### CORPORATE GOVERNANCE :

The Company's policies have always been in accordance with the Code of Corporate Governance and hence the mandatory regulations now placed are being complied with. The Company's continued endeavor is to maintain a high level of accounting and transparency to its stake holders.

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all interactions with its stakeholders, including the shareholders, investors, employees, lenders and government.

### BOARD OF DIRECTORS :

#### Composition :

The Board presently consists of five members. The Chairman & Managing Director, Sri Sreedhar





## INCON ENGINEERS LIMITED

Chowdhury, is the only Executive Director and manages the affairs of the Company subject to the general supervision, control and directions of the Board consisting of other four non-executive Directors. The independent Directors bring to the Company their wide experience in industry, finance and administration and contribute significantly to the various Board Committees.

All Directors except Chairman and Managing Director receive only sitting fees and do not have any other material pecuniary relationship or transactions with the Company, its promoters, management or its subsidiaries. In terms of the listing agreements atleast one third of the Board should be of independent Directors. However, your Board comprises four Independent Directors out of total strength of five Directors :

Sr.No.	Name of the Director	
1.	Shri Sreedhar Chowdhury (Chairman & Managing Director)	Executive
2.	Shri S. Manohar Raju	Non-Executive
3.	Shri K.L. Srinivas	Non-Executive
4.	Dr. B. Neeta Kumari	Non-Executive
5.	Shri A. Subba Rao	Non-Executive

The Board Meetings are held generally once in 3 months. During the year 2002-03, six Board Meetings were held.

### B) Other Directorships Held:

Sr.No.	Name of the Director	Category	No. of other Directorships
1.	Shri Sreedhar Chowdhury (Chairman & Managing Director)	Executive	4
2.	Shri S. Manohar Raju	Non-Executive	2
3.	Shri K.L. Srinivas	Non-Executive	1
4.	Dr. B. Neeta Kumari	Non-Executive	—
5.	Shri A. Subba Rao	Non-Executive	—

### TENURE:

As required by law, two third of the Directors should be retiring Directors and one third of them are required to retire every year and if eligible, qualify for re-appointment.

Shri K.L. Srinivas, Director, retires by rotation at the ensuing annual general meeting and is eligible for re-appointment.

### RESPONSIBILITIES :

The Board has responsibilities like reviewing Corporate performance, ensuring availability of supplies at competitive rates and fulfilling shareholders' expectations. The Board members ensure that other responsibilities do not materially affect their responsibilities as a Director of the Company.

### ROLE OF INDEPENDENT DIRECTORS:

The Independent Directors play an important role in taking major decisions at the Board Meetings and bring to the Company their wide experience in different fields like finance, accounts, capital market, law and engineering. The Audit Committee consists of three Independent Directors and Investors' Grievances Committee consists of three Independent Directors and Managing Director.

### BOARD MEETINGS :

As required by statute, the Board meets atleast once in a quarter to review quarterly financial results and performance review of the Company. The Directors have access to all information and records of the Company. Senior Officials are invited to attend the meetings and provide clarifications as and when required.

The Directors met six times during the financial year 2002-03 i.e. on 30<sup>th</sup> April, 2002, 30<sup>th</sup> July, 2002, 26<sup>th</sup> August, 2002, 31<sup>st</sup> August, 2002, 30<sup>th</sup> October, 2002, 30<sup>th</sup> January, 2003.

A Sitting fee of Rs.1,000/- is paid to the Directors (other than to Shri Sreedhar Chowdhury, Chairman and Managing Director) for every Board Meeting attended by them. No Director is paid any commission on the net profit of the Company.

### BOARD COMMITTEES :

The Company is committed to transparency in all its dealings and to provide efficient and effective service. The Board has constituted Committees of Directors to deal with matters that need quick and timely decisions and overall supervision and guidance. The Board has delegated certain powers to some of the Committees of the Board





## INCON ENGINEERS LIMITED

members, and these Committees decide the matters referred to it and report to the Board at the subsequent Board meetings. Board has constituted two Committees namely Audit Committee and Investors' Grievance Committee.

### AUDIT COMMITTEE :

The Audit Committee was formed by the Board of Directors at their meeting held on 24<sup>th</sup> August, 2001. The Members of Audit Committee are Shri S. Manohar Raju, Shri K.L. Srinivas and Dr.B.Neeta Kumari. The Audit Committee consists of Independent/non-Executive Directors, who are well versed in Finance, Accounts and Company Law. The terms of reference of Audit Committee include review of Audit procedures, financial reporting system, internal control system, control procedures and ensuring compliance with Statutory Guidelines issued by regulatory authorities Meetings are scheduled well in advance.

The Committee met three times during the year under review. The Committee reviews quarterly, half-yearly and yearly financial results together with the reports of the Internal Auditors, Statutory Auditors and action taken reports of the management. The Audit Committee recommends the financial results for approval of the Board. The Head of Internal Audit attends the Audit Committee meetings and the Committee also invites Senior Executives from the Internal Audit department, if it considers appropriate to be present at any meeting.

### REMUNERATION COMMITTEE:

The Company has not yet constituted the Remuneration Committee as it has appointed, for the time being, only one Managing Director whose remuneration is reviewed and determined by the Board. Directors other than Managing Director are paid sitting fees of Rs. 1,000/- each meeting of the Board attended by them. No commission is paid to any Director. Shri Sreedhar Chowdhury was re-appointed as Managing Director for a period of 5 years w.e.f. 13.10.1999. Shareholders have approved a remuneration of Rs. 40,000/- per month and perquisites (in the aggregate this falls within minimum remuneration allowed in Schedule XIII of the Companies Act).

### INVESTORS GRIEVANCE COMMITTEE :

This Committee consisting of Shri Sreedhar Chowdhury, Chairman and Managing Director, Shri S. Manohar Raju, Dr. B. Neeta Kumari, and Shri K.L.Srinivas Directors has been formed on 30.04.2002 to review the complaints in respect of share transfer, transmission, splitting and consolidation of shares, issue of duplicate share certificates and other related matters. Chairman of the Committee is a non-executive Director. As per SEBI's instructions, the transaction of the Company's shares has to be compulsorily in demat form. However, in respect of requests received for share transfer in physical form, the power to approve the same has been delegated to a Committee of Company Officials.

Shri Sreedhar Chowdhury, Chairman and Managing Director is the Compliance Officer. During the year under review, no complaints were received from investors.

The attendance of Directors at the Board Meetings, Committee Meetings and 32<sup>nd</sup> Annual General Meeting is as under :

	No. of Board Meetings attended	No. of Audit Committee Meetings attended	No. of Investors' Grievance Committee Meetings attended	Attendance at 32 <sup>nd</sup> AGM
No. of Meetings held	6	3	1	1
Directors				
Shri Sreedhar Chowdhury	6	N.A.	1	Present
Shri S.Manohar Raju	6	3	1	Present
Shri K.L. Srinivas	6	3	1	Present
Shri A. Subba Rao	6	N.A.	N.A.	Present
Dr. B. Neeta Kumari	6	3	1	Present

N.A. = Not Applicable

### GOING CONCERN:

The Directors are satisfied that the Company has adequate resources to continue its business and accordingly has been adopting the going concern accounting principle in preparing Financial statements.

### LISTING OF EQUITY SHARES :

The Company's equity shares are listed on the stock exchanges at Hyderabad, Mumbai and



## INCON ENGINEERS LIMITED

Kolkata and have been trading on BSE. However, as the Company's shares are very thinly traded on Stock Exchanges at Hyderabad and Kolkata, it was decided to delist the same from these Stock Exchanges. Necessary steps have already been initiated in this regard. A resolution to delist the shares from the aforesaid Stock Exchanges is included in the Notice convening the 33<sup>rd</sup> Annual General Meeting for consideration of the Members.

### STEPS TAKEN FOR PROTECTION OF INVESTORS INTEREST :

#### I. SHARE CERTIFICATES

##### Dematerialisation of Shares :

As on 31<sup>st</sup> March, 2003, 7,53,500 equity shares representing 17.41% of the Share Capital of the Company have been dematerialised.

##### Shares to be traded in Demat form:

With effect from 1<sup>st</sup> January, 2002, the equity shares of the Company are traded on the Stock Exchanges only in dematerialized form.

##### How to Dematerialise Shares:

Shareholders who desire to dematerialise their shares can do so by opening a depository account with a Depository Participant (DP). They can then submit to the DP a dematerialisation request along with the relevant share certificates who will forward the same to the concerned Company or its Registrars and Transfer Agent (R&T Agent) for dematerialisation. After getting confirmation electronically from the Company / R&T Agent, the DP will give credit for that holding in the shareholder's demat account. The Company continues to have Depository facility with NSDL and CDSL for trading its shares in Demat form to give a wider choice to its shareholders.

#### II. DELIVERY OF SHARE CERTIFICATES:

Where Shares are still held in physical form, the Company after effecting transfer of shares, sends intimation to the shareholders regarding the transfer and dispatch of share certificates. Where the share certificates have not been received by the concerned shareholders, the Company on being informed, immediately puts a temporary alert tag in respect of such share certificates. This would help to avoid fraudulent transfers.

#### III. PREVENTION FROM TAMPERING:

In order to prevent forged transfer of shares, which might have been intercepted in transit, the Company has started intimating the shareholders, especially in cases where share certificates are re-lodged for transfer within 2 months of the earlier transfer. Such intimations are sent by way of notice of lodgment inviting any objections to the proposed transfer of shares.

#### IV. ELECTRONIC TRANSFER:

As 17.41% Shares of the Company are held in electronic form. Transfer of shares takes effect promptly eliminating processing time as well ensuring safety of holdings.

#### V. DUPLICATE SHARE CERTIFICATE:

The procedure for issue of duplicate share certificates has been streamlined. Efforts are made to dispatch duplicate share certificate/s within a period of 30 days from the date of receipt of duly completed documents by the R&T Agent of the Company.

#### NOMINATION FACILITY TO THE SHAREHOLDERS:

As per the latest amendment to the Companies Act, 1956, a shareholder can nominate the successors in case of his / her death. Shareholders who are interested in recording the nomination for their holdings may send Form 2 A to the Company. The form is sent separately along with the Annual Report.

#### MEANS OF COMMUNICATION :

The audited financial results are generally published in one National News paper and in the Regional Language news paper. Management Discussion and Analysis forms part of this Annual Report is provided elsewhere in this report.

#### GENERAL SHAREHOLDERS INFORMATION :

a) As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held on 28<sup>th</sup> August 2003 at 11 A.M. at its Registered Office at B-6/3, IDA Uppal, Hyderabad-500039.

#### b) Tentative calendar of events for the Financial Year (2003-04) is given below :

- i) Un-audited/Audited Financial Results for :
- First quarter July, 2003
  - Second quarter October, 2003
  - Third quarter January, 2004
  - Fourth quarter April, 2004