

# **34th Annual Report 2003-2004**



*Certified True Copy*

**For INCON ENGINEERS LTD.**

**Managing Director**

## **INCON ENGINEERS LIMITED**



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## INCON ENGINEERS LIMITED

### BOARD OF DIRECTORS

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

<b>BANKERS</b>	M/s. 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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<b>REGISTERED OFFICE &amp; FACTORY</b>	B-6/3, I.D.A., Uppal, Hyderabad – 500 039
<b>REGISTRARS &amp; SHARE TRANSFER AGENTS (PHYSICAL&amp;DEMAT)</b>	Venture Capital and Corporate Investments Ltd. 6-2-913/914, 3 <sup>rd</sup> Floor, Progressive Towers Khairatabad, Hyderabad-500 004.

<b>STOCK EXCHANGE LISTINGS</b>	The Hyderabad Stock Exchange Ltd. 6-3-654, Adj. Irrum Manzil Bus Stop, Somajiguda, HYDERABAD-500082.  The Stock Exchange, Mumbai P.J.Towers, 25 <sup>th</sup> Floor, Dalal Street, MUMBAI-400 001  The Calcutta Stock Exchange Association Limited., 7, Lyons Range, KOLKATA-700001.
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#### 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 34<sup>th</sup> ANNUAL GENERAL MEETING OF INCON ENGINEERS LIMITED will be held on Thursday the 9<sup>th</sup> September, 2004 at 11.30 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, 2004 together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. Manohar Raju, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider the re-appointment of M/s. Brahmayya & Co. 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

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

4. "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."

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:

5. "RESOLVED that pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. and subject to such other approvals as may be required, consent of the Company be and is hereby accorded to the re-appointment Sri Sreedhar Chowdhury as Managing Director of the Company for a period of 3 years with effect from 17<sup>th</sup> September, 2004 on the following terms and conditions :

1. Salary of Rs.40,000/- (Rupees forty thousand only) per month.
2. Rent free un-furnished residential accommodation.
3. Reimbursement of medical expenses actually incurred for self, wife and dependent children.
4. Fees for two clubs excluding life membership.
5. Car with Driver.
6. Free Telephone facility at residence.
7. Earned Leave: On full pay as per the rules of the Company but not more than one month's leave for every eleven months of service. Encashment of leave at the end of tenure shall not be included in the computation of ceiling on perquisites.



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8. Leave Travel Concession: For self and family once in a year in accordance with the rules specified by the Company.
9. Personal accident Insurance : Premium not to exceed Rs.3,000/- per annum.
10. Provident Fund: The Company's contribution to provident fund will be as per the Company's rules.
11. Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service subject to such ceiling as may be fixed by the Government.

"RESOLVED FURTHER that the salary and perquisites, benefits and amenities as set out above be paid or granted to Mr. Sreedhar Chowdhury as minimum remuneration notwithstanding that in any financial year of the Company during the term of Mr. Sreedhar Chowdhury's office as Managing Director of the company, the Company has made no profits or the profits made are inadequate."

"RESOLVED FURTHER that the Remuneration Committee of Directors of the Company, be and is hereby authorised and empowered to make such modifications in terms of the payment of remuneration to Mr. Sreedhar Chowdhury may be required under the Companies Act, 1956 or become permissible by any amendments to schedule XIII of the Companies Act, 1956 or by way of any Government guidelines or instructions, the intention being that no further approval of the Company will be required so long as remuneration of the Managing Director is not in excess of the maximum permissible under relevant law, rules, regulations, guidelines or instructions as may be promulgated or issued after the date of this meeting."

For and on behalf of the  
Board of Directors

**SREEDHAR CHOWDHURY**  
Chairman and Managing Director

Place : Hyderabad  
Date : 28-06-2004

### 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 23<sup>rd</sup> August, 2004 to 25<sup>th</sup> August, 2004 (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.

### EXPLANATORY STATEMENT

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

#### Item No.4

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 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



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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 B.S.E., 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.

### Item No. 5

The Board of Directors have passed a resolution at its meeting held on 28<sup>th</sup> June, 2004 and approved the re-appointment of Sri Sreedhar Chowdhury as Managing Director of the Company for a period of 3 years with effect from 17<sup>th</sup> September, 2004 subject to the approval of members in General Meeting and on the remuneration approved by the Remuneration Committee as set out in the resolution u/s 198, 259 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the re-appointment of Mr. Sreedhar Chowdhury and remuneration payable to him as Managing Director requires the approval of members in General Meeting.

The resolution set out in the item No.5 of the Notice together with this explanatory statement be treated as an abstract of the terms of appointment of Sri Sreedhar Chowdhury, Managing Director under Section 302 (7) of the Companies Act, 1956.

The Board recommends the adoption of the resolution.

None of the Directors is interested in resolution except Sri Sreedhar Chowdhury to the extent of his re-appointment.

For and on behalf of the  
Board of Directors

**SREEDHAR CHOWDHURY**  
Managing Director

Place : Hyderabad  
Date : 28-06-2004

## DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 34<sup>th</sup> Annual Report and Audited Balance Sheet and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2004.

## FINANCIAL RESULTS

Details	Rupees in Lakhs	
	For the year ended 31.03.2004	For the year ended 31.03.2003
Sales/Income from operations	43.57	25.82
Other Income	2.72	32.09
Manufacturing Expenses	31.47	32.94
Other Expenses	14.33	117.38
Interest	1.84	2.88
Gross Loss after Interest before Depreciation	1.35	95.29
Depreciation	6.33	6.26
Net Loss for the year	7.68	101.55

## OPERATIONS

The income from sales and job receipts has increased from Rs. 25.82 lakhs to Rs.43.57 lakhs. This increase in turnover combined with the cost cutting measures implemented during the past few years has resulted in the Company being able to eliminate cash losses during the year. Your Directors are hopeful that with this turn around the Company will be able to register better progress during the current year.

## 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, Sri S. Manohar Raju retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

## AUDITORS

M/s. Brahmayya & Co. Chartered Accountants, Hyderabad, the Auditors of the Company, retire at



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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 Advance are realizable in the absence of confirmation letters from the respective parties. The Audit Committee of the Company consisting of three independent Directors have been recommending writing-off of items, which they consider are not realisable. The Company is hopeful that the steps being taken for recovery of amounts due to the Company will yield necessary results in due course.

### 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. During the year under review, no employee employed throughout the year or part of the year was in receipt of remuneration of Rs. 24,00,000/- per year or Rs. 2,00,000/- per month or in excess thereof respectively.

### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussions & Analysis, Corporate Governance Report and Auditors Certificate regarding compliance of Corporate Governance are made part of the Annual Report.

### OTHER INFORMATION

Information in accordance with clause (e) 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:

- i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- ii) that the directors had selected such accounting policies and applied them consistently and made judgments 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, 2004, on a 'going concern' basis.

### DEMATERIALISATION 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 INE507D01010. In case a member wants his shares to be dematerialised, he may send the share certificates along with the request through his depository participant to the Registrars M/s. Venture Capital and Corporate Investments Ltd.

### ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to the investors and suppliers for the confidence reposed in the Company. The Directors also take this opportunity to express their appreciation for the contributions made by all the employees.

For and on behalf of the  
Board of Directors

Place : Hyderabad      **SREEDHAR CHOWDHURY**  
Date : 28-06-2004      Chairman and Managing Director



## INCON ENGINEERS LIMITED

### MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

The year ending 31<sup>st</sup> March, 2004 has witnessed a fairly robust performance in the GDP, signaling a period of growth in the Indian economy. The Company's conservative approach has also paid-off with cash losses being stopped.

The improved performance of the pharma sector augurs well for the Company as its main products are required by them. The Company's efforts to improve the performance of its equipment through increased Research & Development should pay-off. The Company will continue its cautious approach while embarking on any ramping-up of operations in the near future.

### 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 accountability and transparency to its stakeholders.

### 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 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:

Sl.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 2003-04, Five Board Meetings were held.

#### B) Other Directorships Held:

Sl. No.	Name of the Director	Category	No. of other Directorships
1.	Shri Sreedhar Chowdhury (Chairman & Managing Director)	Executive	5
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 S. Manohar Raju, 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



## INCON ENGINEERS LIMITED

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, Investors' Grievance Committee consists of three Independent Directors and Managing Director and Remuneration Committee consists of three Independent Directors.

### 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 five times during the financial year 2003-04 i.e. on 30<sup>th</sup> April, 2003, 27<sup>th</sup> June, 2003, 30<sup>th</sup> July, 2003, 30<sup>th</sup> October, 2003, and 30<sup>th</sup> January, 2004.

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 members, and these Committees decide the matters referred to it and report to the Board at the subsequent Board meetings. Board has constituted three Committees namely Audit Committee, Investors' Grievance Committee and Remuneration 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 Remuneration Committee was formed by the Board of Directors at their meeting held on 27<sup>th</sup> June, 2003. The Members of Remuneration Committee are Shri S. Manohar Raju, Shri. K.L. Srinivas and Dr. B. Neeta Kumari. The Remuneration Committee consists of Independent/non-executive Directors. The terms of references of the Remuneration Committee pertain to determining the Company's policy on and approving remuneration packages for Managing Director / Executive Director.

### 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,