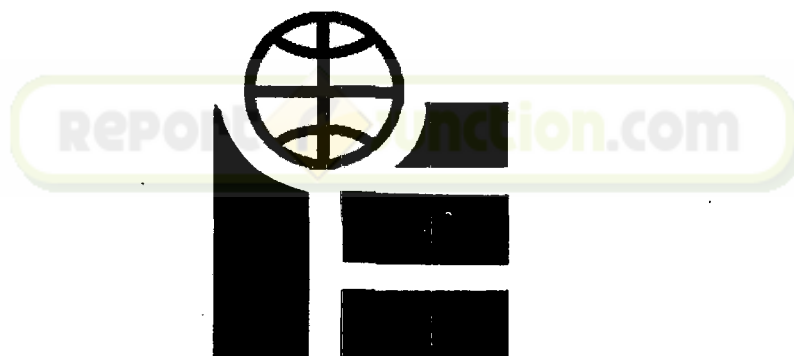


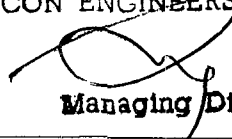
# **38th Annual Report 2007 - 2008**



**INCON ENGINEERS LIMITED**

**//CERTIFIED TRUE COPY//**

**For INCON ENGINEERS LTD.**

  
**Managing Director**



## **C O N T E N T S**

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## BOARD OF DIRECTORS

|  |  |
|--|--|
| <b>SRI SREEDHAR CHOWDHURY</b>  | Chairman & Managing Director   |
| <b>SRI S.MANO HAR RAJU</b>   | Director   |
| <b>SRI BISHAM RUGHU MALKANI</b>  | Director   |
| <b>SRI A.SUBBA RAO</b>   | Director   |
| <b>Dr. B. NEETA KUMARI</b>   | Director   |
| <b>AUDITORS</b>  | M/s Brahmayya & Co<br>Flat No.403 & 404<br>Golden Green Apartment<br>Irrum Manzil Colony, Hyderabad – 500 082  |
| <b>BANKERS</b>   | M/s. State Bank of India<br>Commercial Branch<br>Flat No.101 to 106 A, Ashoka My Home Chambers<br>Block B., S.P. Road, Secunderabad  |
| <b>REGISTERED OFFICE &amp; FACTORY</b>                                       | B-6/3, I.D.A., Uppal, Hyderabad —500 039   |
| <b>REGISTRARS &amp; SHARE<br/>TRANSFER AGENTS<br/>(PHYSICAL &amp; DEMAT)</b> | Venture Capital and Corporate Investments Pvt. Ltd.<br>12-10-167, Bharat Nagar,<br>Hyderabad-500 018.  |
| <b>STOCK EXCHANGE LISTINGS</b>   | Bombay Stock Exchange Ltd.<br>P.J.Towers, 25 <sup>th</sup> Floor, Dalal Street,<br>MUMBAI-400 001<br><br>The Calcutta Stock Exchange Association Limited.,<br>7, Lyons Range, KOLKATA-700001. (Applied for delisting<br>and awaiting delisting approval) |

### 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 38<sup>th</sup> Annual General Meeting of Incon Engineers Limited will be held on Friday the 12<sup>th</sup> September, 2008 at 11.00 a.m. at its Registered Office of the Company 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, 2008 together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. 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

4. To consider and it thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

“RESOLVED that Mr. Bisham Rughu Malkani in respect of whom the Company has received the notice under section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company liable to retirement by rotation.”

For and on behalf of the Board of Directors

Place: Hyderabad  
Date : 30-06-2008

**SREEDHAR CHOWDHURY**  
CHAIRMAN AND MANAGING DIRECTOR

### 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 11<sup>th</sup> August, 2008 to 13<sup>th</sup> August, 2008 (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.
6. Members can avail of nomination facility. Blank Nomination forms will be supplied on request.



## INCON ENGINEERS LIMITED

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :

#### Item No. 4

Mr. Bisham Rughu Malkani was appointed as Additional Director of the Company by the Board of Directors in its meeting held on 31st October, 2007 and he holds office up to the date of this Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder intending to propose the candidature of Mr. Bisham Rughu Malkani for the office of the Director of the Company. A brief profile of Mr. Malkani, as required under Clause 49 (iv)(G) of the Listing Agreement, is given in the report on Corporate Governance enclosed to the Directors' Report.

The Resolution at Item No. 4 is therefore, recommended for your approval.

Except Mr. Malkani none of other Director is concerned of interested in the proposed resolution.

For and on behalf of the  
Board of Directors

Place: Hyderabad  
Date : 30.06.2008

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director

### DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 38<sup>th</sup> Annual Report and Audited Balance Sheet and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

| Details                                   | Rupees in Lakhs                  |                                  |
|---|----------------------------------|----------------------------------|
|   | For the year ended<br>31.03.2008 | For the year ended<br>31.03.2007 |
| Sales/ Income                             |                                  |                                  |
| from operations                           | 159.96                           | 11.41                            |
| Other Income                              | 1.30                             | 0.18                             |
| Manufacturing Expenses                    | 76.40                            | 25.80                            |
| Other Expenses                            | 33.30                            | 9.65                             |
| Interest                                  | 3.47                             | 1.77                             |
| Gross Profit (+)/(Loss)(-) after Interest |                                  |                                  |
| before Depreciation & Tax                 | 48.09                            | (25.62)                          |
| Depreciation                              | 4.29                             | 4.27                             |
| Net Profit (+)/(Loss) before              |                                  |                                  |
| Tax for the year                          | 43.80                            | (29.89)                          |
| Net Profit (+)/(Loss) for the year        | 43.45                            | (29.89)                          |

### OPERATIONS

The Company's operations have improved substantially with the turnover increasing from Rs. 11.59 lakhs to Rs. 161.26 lakhs. The Company made a net profit of Rs. 43.45 lakhs after providing for interest and depreciation as compared to a loss of Rs. 29.89 lakhs during the previous 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, Mr. S. Manohar Raju retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Bisham Rughu Malkani was inducted on the Board of the Company as Additional Director with effect from 31st October, 2007. Mr. Malkani was educated in the U.K. (Electrical Engineering) and was employed there during the period from 1961 to 1966. Thereafter, he has been working in senior marketing positions in India with Jessop, Larsen & Toubro, Advani-Oerlikon and Honeywell. Mr. Malkani's technical and marketing background will broaden the base of the board. The Company has received a notice from a shareholder signifying his intention to propose the candidature of Mr. Malkani as Director of the Company liable to retire by rotation.



## INCON ENGINEERS LIMITED

### 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 realisable in the absence of confirmation letters from the respective parties. The Audit Committee of the Company has 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

None of the employees whether employed throughout the year or part of the year were in receipt of remuneration exceeding limits specified in Section 217 (2A) of the Companies Act, 1956, and rules made there under.

### 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 hereto and forms part of the report.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the Company for the year;
- iii) they have 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) they have prepared the annual accounts 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 Pvt. 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  
Date : 30.06.2008

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director



## INCON ENGINEERS LIMITED

### CERTIFICATE BY THE CHIEF EXECUTIVE OFFICER

I, Sreedhar Chowdhury, Chairman & Managing Director of Incon Engineers Limited, to the best of my knowledge and belief, certify that.

1. I have reviewed the Balance Sheet and Profit & Loss Account and all its schedules and notes to accounts, as well as the cash-flow statements and the Directors Report.

2. Based on my knowledge and information, these statements do not contain any untrue statements of material fact or omit to state a material fact or contain statements that might be misleading.

3. Based on my knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the companies affairs, and are in compliance with existing accounting standard and /or applicable laws and regulations.

4. To the best of my knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the Company's code of conduct.

5. I am responsible for establishing and maintaining internal controls over financial reporting for the company, and I have:

a) designed such internal control over financial reporting to provide reasonable assurance regarding reliability of the financial reporting

and the preparation of the financial statements in accordance with generally accepted accounting principles.

b) Evaluated the effectiveness of the Company's internal control system pertaining to the financial reporting; and

c) Disclosed in this report any change in the Company's internal control over financial reporting that has materially affected the Company's internal control over financial reporting.

6. I have disclosed to the Company's auditors and Audit Committee of the Company's Board of the Directors :

a) Deficiencies in the design or operation of internal controls and steps taken / proposed to be taken to rectify these deficiencies.

b) Significant changes in internal controls over financial reporting, if any, during the year covered by this report.

c) Significant changes in accounting policies during the year, if any, and the same have been disclosed in the notes to the financial statements; and

d) Instances of significant fraud of which I am aware, that involves management or other employees, who have a significant role in the Company's internal control system over financial reporting.

For and on behalf of the  
Board of Directors

Place: Hyderabad  
Date : 30.06.2008

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director





## INCON ENGINEERS LIMITED

### MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Company is also actively pursuing various opportunities for marketing and distribution of various products. The Company is hopeful that this activity will generate a steady income to off set its capital goods manufacturing activities, which has, in the past, shown fluctuations in level of activity.

### 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:

#### A. 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 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:

| S.No. | Name of the Director                                      |               |
|-------|---|---------------|
| 1.    | Shri Sreedhar Chowdhury<br>(Chairman & Managing Director) | Executive     |
| 2.    | Shri S. Manohar Raju                                      | Non-Executive |
| 3.    | Shri Bisham Rughu Malkani                                 | Non-Executive |
| 4.    | Shri A. Subba Rao   | Non-Executive |
| 5.    | Dr. B. Neeta Kumari                                       | Non-Executive |

The Board Meetings are held generally once in 3 months. During the year 2007-08, Four Board Meetings were held.

#### B) Other Directorships Held:

| Sl. No. | Name of the Director                                      | Category      | No. of other Directorships |
|---------|---|---------------|----------------------------|
| 1.      | Shri Sreedhar Chowdhury<br>(Chairman & Managing Director) | Executive     | 5                          |
| 2.      | Shri S. Manohar Raju                                      | Non-Executive | 2                          |
| 3.      | Shri Bisham Rughu Malkani                                 | Non-Executive | 1                          |
| 4.      | Shri A. Subba Rao   | Non-Executive | —                          |
| 5.      | Dr. B. Neeta Kumari                                       | 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.

Mr. 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.





## INCON ENGINEERS LIMITED

### 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, 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 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 Four times during the financial year 2007-08 i.e. on 29<sup>th</sup> June, 2007, 31<sup>st</sup> July, 2007, 31<sup>st</sup> October, 2007, 31<sup>st</sup> January, 2008. The gap between Board Meetings did not exceed four months.

A Sitting fee of Rs. 1,000/- is paid to the Directors and a sitting fee of Rs. 500/- is paid to Committee Members (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 A. Subba Rao 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 four 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. A. Subba Rao 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.



## INCON ENGINEERS LIMITED

### INVESTORS GRIEVANCE COMMITTEE:

This Committee consisting of Shri Sreedhar Chowdhury, Chairman and Managing Director, Shri S. Manohar Raju, Dr. B. Neeta Kumari, and Shri A. Subba Rao 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 37<sup>th</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 37 <sup>th</sup> AGM |
|-----------------------------|--------------------------------|--|---|------------------------------------|
| <b>No. of Meetings held</b> | 4                              | 4  | 1   | 1                                  |
| <b>Directors</b>            |                                |  |   |                                    |
| Shri Sreedhar Chowdhury     | 4                              | N.A.                                     | 1   | Present                            |
| Shri S. Manohar Raju        | 4                              | 4  | 1   | Present                            |
| Shri K.L. Srinivas          | 2                              | 3  | N.A.  | Present                            |
| Shri A. Subba Rao           | 3                              | N.A.                                     | 1   | Present                            |
| Dr. B. Neeta Kumari         | 4                              | 4  | 1   | Present                            |
| Shri Bisham Rughu Malkani   | 1                              | N.A.                                     | N.A.  | ---                                |
| 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 Mumbai and Kolkata and have been trading on BSE. However, as the Company's shares are very thinly traded on Stock Exchange at Hyderabad and Kolkata, it was decided to delist the same from these Stock Exchanges and application made by the Company in November 2005. The Company has received the delisting approval from the Regional Stock Exchange i.e Hyderabad Stock Exchange (HSE) and is under process at Calcutta Stock Exchange Association Ltd (CSE).

### STEPS TAKEN FOR PROTECTION OF INVESTORS INTEREST:

#### I. SHARE CERTIFICATES

##### a) Dematerialisation of Shares:

As on 31<sup>st</sup> March, 2008, 3367572 Equity Shares representing 77.82% of the Share Capital of the Company have been dematerialised.

##### b) 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.

##### c) 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 / Registrars and Transfer Agent (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.