

# **40th Annual Report 2009 - 2010**



**INCON ENGINEERS LIMITED**



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## **INCON ENGINEERS LIMITED**

### **BOARD OF DIRECTORS**

**SRI SREEDHAR CHOWDHURY**

Chairman & Managing Director

**SRI S.MANO HAR RAJU**

Director

**SRI BISHAM RUGHU MALKANI**

Director

**SRI A.SUBBA RAO**

Director

**Dr. B. NEETA KUMARI**

Director

**AUDITORS**

M/s Brahmayya & Co

Flat No.403 & 404

Golden Green Apartment

Irrum Manzil Colony, Hyderabad – 500 082

**BANKERS**

M/s. State Bank of India

Commercial Branch

Flat No.101 to 106 A, Ashoka My Home Chambers

Block B., S.P. Road, Secunderabad

**REGISTERED OFFICE & FACTORY**

B-6/3, I.D.A., Uppal, Hyderabad —500 039

**REGISTRARS & SHARE**

**TRANSFER AGENTS**

**(PHYSICAL & DEMAT)**

Venture Capital and Corporate Investments Pvt. Ltd.

12-10-167, Bharat Nagar,

Hyderabad-500 018.

**STOCK EXCHANGE LISTINGS**

Bombay Stock Exchange Ltd.

P.J.Towers, 25<sup>th</sup> Floor, Dalal Street,

MUMBAI-400 001

The Calcutta Stock Exchange Association Limited.,

7, Lyons Range, KOLKATA-700001. (Applied for delisting 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 40<sup>th</sup> Annual General Meeting of Incon Engineers Limited will be held on Monday, the 6<sup>th</sup> September, 2010 at 11:00 a.m. at its Registered Office of the Company at B-6/3, I.D.A. Uppal, Hyderabad - 500 039 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, 2010 together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. B. Neeta Kumari, who retires by rotation and being eligible, offers herself 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 pursuant to provisions of Section 198, 269 and 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 modify the terms of payment of remuneration of Mr. Sreedhar Chowdhury, who was appointed as Managing Director of the Company for a period of three years with effect from 17<sup>th</sup> September, 2010 on the following terms and conditions.

Salary : 'NIL' : Other perquisites payable : "Nil"

"RESOLVED FURTHER that the Remuneration Committee of the Company has approved such appointment and payment of - NIL - remuneration to Mr. Sreedhar Chowdhury."

For and on behalf of the Board

Place: Hyderabad

Date : 30-06-2010

**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 3<sup>rd</sup> September, 2010 to 6<sup>th</sup> September, 2010 (both days inclusive).
3. 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

The Board of Directors have passed a resolution at its meeting held on 30-06-2010 and approved the re-appointment of Sri Sreedhar Chowdhury as Managing Director of the Company for a period of 3 years with effect from 17th September, 2010 subject to the approval of members in General Meeting and on Nil remuneration as approved by the Remuneration Committee as set out in the resolution u/s 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956. The re-appointment of Sri Sreedhar Chowdhury as Managing Director requires the approval of members in General Meeting.

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

Place: Hyderabad  
Date : 30.06.2010

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director

### DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 40<sup>th</sup> Annual Report and Audited Balance Sheet and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS

Rupees in Lakhs

Details	For the year ended 31.03.2010	For the year ended 31.03.2009
Sales/ Income from operations	38.04	14.75
Other Income	7.24	3.28
Manufacturing Expenses	34.00	34.18
Other Expenses	11.65	39.85
Interest	1.86	0.45
Gross Profit (+)/(Loss)(-) after Interest		
before Depreciation & Tax	(2.23)	(56.45)
Depreciation	5.45	4.55
Net Profit (+)/(Loss) before		
Tax for the year	(7.68)	(61.00)
Net Profit (+)/(Loss) for the year	(7.68)	(61.25)

### OPERATIONS

The Company's operations have improved considerably despite overall industrial slowdown. The turnover of the Company increased from Rs. 18.03 Lakhs to Rs. 45.28 Lakhs resulting in a cash loss of Rs. 2.23 Lakhs as against cash loss of Rs. 56.70 Lakhs during the previous year. Your Directors are hopeful that with the economy improving, the Company will make further improvements in its performance 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, Dr. B. Neeta Kumari retires at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.



## 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.

### 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

Place: Hyderabad **SREEDHAR CHOWDHURY**

Date: 30.06.2010 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

Place: Hyderabad  
Date : 30.06.2010

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director



## INCON ENGINEERS LIMITED

### MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

In view of the overall slowdown in the economy, the Company had initiated a cost cutting exercise, which has resulted in improving the profitability of the Company. The Company will be pursuing a conservative path to ensure that its financial position is not jeopardized and at the same time will be in a position to take advantage of the expected revival in the Indian economy.

### 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 (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 2009-10, Four 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	6
2.	Shri S. Manohar Raju	Non-Executive	1
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.

Dr. B. Neeta Kumari, 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 2009-10 i.e. on 30<sup>th</sup> June, 2009, 30<sup>th</sup> July, 2009, 30<sup>th</sup> October, 2009, 29<sup>th</sup> January, 2010. 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 39<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 39 <sup>th</sup> AGM
<b>Directors</b>				
Shri Sreedhar Chowdhury	4	N.A.	1	Present
Shri S. Manohar Raju	4	4	1	Present
Shri A. Subba Rao	4	4	1	Present
Dr. B. Neeta Kumari	4	4	1	Present
Shri Bisham Rughu Malkani		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, 2010, 3370172 Equity Shares representing 77.89% 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.



## INCON ENGINEERS LIMITED

### 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 77.89% 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 SHARES

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-2B to the Company. Blank Nomination forms will be supplied on request.

#### 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 BODY MEETINGS:

Date, Time and venue for the last three Annual General Meetings are given below

Financial year	Date	Time	Venue
31 <sup>st</sup> March, 2007	27.09.2007	11.30 am	Registered office of the Company
31 <sup>st</sup> March, 2008	12.09.2008	11.00 am	Registered office of the Company
31 <sup>st</sup> March, 2009	25.09.2009	10.00 am	Registered office of the Company

### GENERAL SHAREHOLDERS INFORMATION:

a) As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held on 6<sup>th</sup> September, 2010 at 11.00 a.m. at its Registered Office at B-6/3, Industrial Development Area, Uppal, Hyderabad-500039.

b) Tentative calendar of events for the Financial Year (2010-11) is given below:

i) Un-audited/Audited Financial Results for:

- First quarter July, 2010
- Second quarter October, 2010
- Third quarter January, 2011
- Fourth quarter April, 2011

c) Book Closure: The books will be closed from 03-09-2010 to 06-09-2010 (both days inclusive) for the purpose of Annual General Meeting.

d) The shares of the Company are listed on:

- The Bombay Stock Exchange Ltd., Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
- The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata-700001. (Applied for delisting and awaiting delisting approval).

Depository for Equity Shares: CDSL & NSDL

e) The listing fee for the year 2010-11 has been paid to Bombay Stock Exchange. However, the listing fee for Calcutta Stock Exchange is outstanding for 5 years.

d) Market Price Data:

The shares of the Company are thinly traded. The 52nd week high and low on BSE was Rs. 6.87 and Rs. 3.05.



## INCON ENGINEERS LIMITED

### Distribution of Share Holding as on 31.03.2010

No. of Equity shares held	Shareholders Number	Shareholders percentage	No. of Shares	Percentage
Upto - 5000	628	61.32	145547	3.36
5001 - 10000	204	19.92	186676	4.31
10001 - 20000	79	7.71	129940	3.00
20001 - 30000	35	3.41	91158	2.10
30001 - 40000	16	1.56	57965	1.34
40001 - 50000	17	1.66	82684	1.91
50001 - 100000	16	1.56	111372	2.57
100001 and Above	29	2.83	3521758	81.38
Total	1024	100.00	4327100	100.00

### MANDATORY / NON-MANDATORY PROVISIONS :

We have adopted all the mandatory requirements (except where not relevant or applicable). Of the non-mandatory suggestions, we have adopted those relating to a Chairman's Office. There have been no transactions of a material nature of the Company with its promoters, Directors or the management, their subsidiaries or relatives, etc. and accordingly no potential conflict with the interests of the Company. There has been no case of non-compliance by the Company nor any strictures or penalties imposed by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets. The above report represents the Company's philosophy on, and implementation of, its corporate governance. Auditors' certification as required forms a part of this Annual Report.

### DECLARATION OF CODE OF CONDUCT :

This is to confirm that the Board has laid down a code of conduct for all Directors and senior management personnel of the Company. It is further confirmed that all Directors and senior management personnel of the Company have affirmed compliance with the code of conduct of the Company for the financial year ended on 31.03.2010, as envisaged in clause 49 of the Listing Agreement with the Stock Exchanges.

Place: Hyderabad  
Date : 30.06.2010

**SREEDHAR CHOWDHURY**  
Chairman & Managing Director

### CORPORATE GOVERNANCE CERTIFICATE

To the members of **INCON ENGINEERS LIMITED, HYDERABAD (A.P.)**.

We have examined the compliance of conditions of Corporate Governance by INCON ENGINEERS LIMITED, HYDERABAD (A.P) for the year ended on 31<sup>st</sup> March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SHARAD GUPTA & COMPANY

SHARAD GUPTA

Place: Hyderabad

Company Secretary

Date : 30-06-2010

Membership No.ACS5499: CP1464

### ANNEXURE TO DIRECTORS REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors report.

### FORM A

#### A. CONSERVATION OF ENERGY

Steps to optimize energy consumption in various manufacturing operations is being continuously taken; however, the Company's operations are not energy intensive.



## INCON ENGINEERS LIMITED

### FORM B

(Disclosures of particulars with respect to Technology absorption to the extent applicable)

#### A RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company Design of Fluid Energy Mills and Classifiers.

#### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

NIL

#### C. FOREIGN EXCHANGE EARNINGS AND OUT GO

NIL

For and on behalf of the Board

Place: Hyderabad

**SREEDHAR CHOWDHURY**

Date : 30.06.2010

Chairman and Managing Director

### AUDITORS' REPORT

To the Members of INCON ENGINEERS LTD, Hyderabad

1. We have audited the attached Balance Sheet of INCON ENGINEERS LIMITED, Hyderabad, (A.P) as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003, (as amended), issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of the written representations received from the Directors, as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on



## INCON ENGINEERS LIMITED

31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
- b) In the case of the Profit and Loss account, of the Loss of the Company for the year ended on that date; and
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For BRAHMAYYA & CO.  
Chartered Accountants  
Firms Registration  
No.: 000513S

(P. CHANDRAMOULI)  
Partner

Place: Hyderabad

Date : 30.06.2010

Membership No.25211

Annexure to the Auditor's Report : referred to in paragraph 3 of our report of even date.

Re : INCON ENGINEERS LIMITED,  
HYDERABAD.

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- c) The fixed assets disposed off during year, do not constitute a substantial part of the fixed assets of the Company and in our opinion, such disposal has not affected the going concern status of the Company.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In view of our comment in paragraph 3 (a) above, (III) (b), (c) & (d) of the paragraph 4 of the aforesaid order are not applicable to the Company.





## INCON ENGINEERS LIMITED

- c) During the year, the Company had taken unsecured loans from two parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was Rs. 15.85 lakhs.
- d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- e) In our opinion and according to the information and explanations given to us, the repayment of the principal amount and interest thereon are as per stipulations.
- 4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5. a) On the basis of our examination of the books of account and according to the information and explanations given to us, the Company has not entered into any transaction that needs to be entered in the Register maintained under Section 301 of the Companies Act, 1956.  
b) In view of our comment in paragraph (a) above, clause V (b) of aforesaid Order, in our opinion, is not applicable.
- 6. The Company has not accepted deposits from the public. Hence the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company for the time being.
- 7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
- 9. a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.  
c) According to the records of the Company and the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited on account of any dispute. However an amount of



## INCON ENGINEERS LIMITED

- Rs. 1,25,101/- is payable on account of Sales Tax which is disputed by the Company and such dispute is pending with Sales Tax Appellate Tribunal, Andhra Pradesh.
10. The accumulated losses of the Company as at the end of the financial year under reference are more than fifty percent of net worth of the Company. The Company has incurred cash losses during the year covered by our audit and also in the immediately preceding financial year.
  11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and Banks.
  12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. The Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
  16. According to the information and explanations given to us, the Company has not obtained any term-loans during the year.
  17. In our opinion and according to the information and explanations given to us the funds raised on short-term basis have not been used for long-term investment.
  18. During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956.
  19. During the year, the Company has not issued any debentures therefore the question of creating security or charge in respect thereof does not arise.
  20. During the year, the Company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
  21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For Brahmayya & Company  
Chartered Accountants  
Firm's Registration  
No. : 000513S

Place: Hyderabad  
Date : 30.06.2010

(P. CHANDRAMOULI)  
Partner  
Membership No.25211





# INCON ENGINEERS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	SCH REF	AS AT 31.03.2010	AS AT 31.03.2009
<b>I. SOURCE OF FUNDS</b>			
1) Shareholders funds			
a) Share Capital	1	571,37,500	571,37,500
b) Reserves and Surplus	2	1,58,673	1,58,673
		<u>572,96,173</u>	<u>572,96,173</u>
2) Loan Funds Inter Corporate Deposits		—	9,90,000
		—	<u>9,90,000</u>
<b>TOTAL Rs.</b>		<u>572,96,173</u>	<u>582,86,173</u>
<b>II. APPLICATION OF FUNDS</b>			
1) Fixed Assets	3		
a) Gross Block		172,71,969	175,12,890
b) Less: Depreciation		<u>75,30,766</u>	<u>75,46,609</u>
c) Net Block		97,41,203	99,66,281
d) Capital Work-in-progress		—	4,38,709
		<u>97,41,203</u>	<u>104,04,990</u>
2) Current Assets, Loans and Advances			
a) Inventories	4	26,65,678	26,83,574
b) Sundry Debtors	5	42,086	3,08,525
c) Cash and Bank Balances	6	7,30,453	10,04,589
d) Other current assets	7	1,22,012	1,91,663
e) Loans and advances	8	3,94,667	3,86,974
		<u>39,54,896</u>	<u>45,75,325</u>
Less: Current Liabilities and Provisions	9		
a) Liabilities		26,25,882	20,74,696
b) Provisions		<u>8,47,829</u>	<u>9,25,414</u>
		<u>34,73,651</u>	<u>30,00,110</u>
Net Current Assets		<u>4,81,245</u>	<u>15,75,215</u>
3) Profit and Loss Account		<u>470,73,725</u>	<u>463,05,968</u>
<b>TOTAL Rs.</b>	<b>15</b>	<u>572,96,173</u>	<u>582,86,173</u>
<b>NOTES ON ACCOUNTS</b>			

Per our report of even date

For Brahmayya & Co.

Chartered Accountants

Firm's Registration No. : 000513S

For and on Behalf of Board

Place: Hyderabad  
Date : 30.06.2010

**P. Chandramouli**  
Partner  
Membership No. 025211

**Sreedhar Chowdhury**  
Managing Director

**S. Manohar Raju**  
Director

**INCON ENGINEERS LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010**

PARTICULARS	SCH REF.	CURRENT YEAR	PREVIOUS YEAR
<b>I. INCOME</b>			
Sales (Gross) (Net of Returns)		37,98,249	5,62,538
Less : Excise Duty		—	—
Sales (Net)		37,98,249	5,62,538
Job work receipts		5,515	9,12,388
Others	10	7,13,114	3,28,798
<b>TOTAL Rs.</b>		<b>45,16,878</b>	<b>18,03,724</b>
<b>II. EXPENDITURE</b>			
Raw Materials consumed	11	15,96,211	2,68,789
Power and Fuel		1,31,830	1,65,070
Job work payments		2,56,938	23,929
Staff Cost	12	16,62,553	25,58,847
Interest on Term Loans		1,86,230	45,175
Bad debts / advances written off		16,033	27,55,926
Other Expenses	13	11,49,023	12,29,341
Depreciation	3	5,45,449	4,55,212
(Increase) / Decrease in Stocks	14	(6,13,218)	4,01,722
Diminution in value of Inventories		3,65,187	—
<b>TOTAL Rs.</b>		<b>52,96,236</b>	<b>79,04,011</b>
<b>III. PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION</b>		<b>(7,79,358)</b>	<b>(61,00,287)</b>
Less : Provision for Fringe Benefit Tax		—	(25,000)
Add : Excess Provision for FBT Written Back		11,601	—
<b>IV. PROFIT / (LOSS) AFTER TAXATION</b>		<b>(7,67,757)</b>	<b>(61,25,287)</b>
Add : Balance loss brought forward from last year		(463,05,968)	(401,80,681)
<b>V. TOTAL LOSS CARRIED TO BALANCE SHEET</b>		<b>470,73,725</b>	<b>463,05,968</b>
<b>VI. Basic and diluted Earnings per share</b>		<b>(0.18)</b>	<b>(1.42)</b>
Face value of each share		10	10
<b>NOTES ON ACCOUNTS</b>		<b>15</b>	

Per our report of even date

For Brahmaya &amp; Co.

Chartered Accountants

Firm's Registration No. : 000513S

For and on Behalf of Board

Place: Hyderabad

Date : 30.06.2010

**F. Chandramouli**

Partner

**Sreedhar Chowdhury**

Managing Director

**S. Manohar Raju**

Director

Membership No. 025211



## INCON ENGINEERS LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

Particulars	Year ended 31.03.2010 Rs.	Year ended 31.03.2009 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	(7,79,358)	(61,00,287)
Adjustments for:		
Depreciation	5,45,449	4,55,212
Interest (Net)	1,84,037	(58,867)
Excess Provision Written Back	(3,94,503)	(22,199)
Credit balance written back	—	(2,02,557)
Bad debts / Advance written off	16,033	27,55,926
Inventory written off	44,036	—
Diminution of value of Inventories	3,65,187	—
Profit on Sale of Fixed assets	(3,16,418)	—
Operating profit before Working Capital changes	(3,35,537)	(31,72,772)
Adjustments for :		
Trade and other receivables	1,82,454	13,68,224
Inventories	(3,91,327)	5,44,616
Trade payables	10,18,085	(15,20,797)
Cash generated from operations	4,73,675	(27,80,729)
Income tax	(21,580)	(62,831)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,52,095</b>	<b>(28,43,560)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,65,244)	(2,26,268)
Sale of fixed assets	6,00,000	—
Interest received	73,301	32,934
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>5,08,057</b>	<b>(1,93,334)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(2,44,288)	(10,740)
Proceeds from long term borrowings	13,60,000	9,90,000
Repayment of long term borrowings	(23,50,000)	—
<b>NET CASH GENERATED IN FINANCING ACTIVITIES</b>	<b>(12,34,288)</b>	<b>9,79,260</b>
Net increase in cash and cash equivalents (A+B+C)	(2,74,136)	(20,57,634)
Cash and Cash equivalents as at beginning of the year	10,04,589	30,62,223
Cash and Cash equivalents as at the end of year	7,30,453	10,04,589

Per our report of even date

For Brahmayya & Co.

Chartered Accountants

Firm's Registration No. : 000513S

For and on Behalf of Board

Place: Hyderabad

Date : 30.06.2010

**P. Chandramouli**

Partner

Membership No. 025211

**Sreedhar Chowdhury**

Managing Director

**S. Manohar Raju**

Director



# INCON ENGINEERS LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

S. No.	Particulars	As at 31.03.2010	As at 31.03.2009
<b>1. SHARE CAPITAL</b>			
	<b><u>Authorised</u></b>		
	84,00,000 Equity Shares of Rs.10/- each	<u>840,00,000</u>	<u>840,00,000</u>
	<b><u>Issued and Subscribed :</u></b>		
	71,00,400 Equity Shares of Rs. 10/- each	<u>710,04,000</u>	<u>710,04,000</u>
	<b><u>Paid Up:</u></b>		
	43,27,100 Equity Shares of Rs. 10/- each	<u>432,71,000</u>	<u>432,71,000</u>
	Add : Forfeited shares (amount originally paid up)	<u>138,66,500</u>	<u>138,66,500</u>
	<b>TOTAL Rs.</b>	<u><b>571,37,500</b></u>	<u><b>571,37,500</b></u>
	(Of the above shares 2,27,000 shares are allotted as fully paid-up Bonus shares by capitalisation of Revaluation Reserve)		
<b>2. RESERVES AND SURPLUS</b>			
	Capital Reserve as per last balance sheet	<u>1,57,259</u>	<u>1,57,259</u>
		<u>1,57,259</u>	<u>1,57,259</u>
	Revaluation Reserve as per last balance sheet	<u>1,414</u>	<u>1,414</u>
		<u>1,414</u>	<u>1,414</u>
	<b>TOTAL Rs.</b>	<u><b>1,58,673</b></u>	<u><b>1,58,673</b></u>
<b>4. INVENTORIES</b>			
	(at lower of cost or realisable value)		
	Raw materials at cost	11,76,894	16,56,333
	Finished goods at realisable value	3,25,960	3,25,960
	Work-in-process at cost	11,62,824	7,01,281
	<b>TOTAL Rs.</b>	<u><b>26,65,678</b></u>	<u><b>26,83,574</b></u>
<b>5. SUNDRY DEBTORS (Unsecured)</b>			
	Debts due over six months:		
	Considered doubtful	—	66,796
	Considered good	42,086	—
	Debts due for less than six months considered good	—	2,41,729
	<b>TOTAL Rs.</b>	<u><b>42,086</b></u>	<u><b>3,08,525</b></u>



## INCON ENGINEERS LIMITED

S. No.	Particulars	As at 31.03.2010	As at 31.03.2009
<b>6. CASH AND BANK BALANCES</b>			
	Cash in hand	17,498	13,336
	Balance with Scheduled banks :		
	in Current Accounts	7,12,955	31,253
	in Fixed Deposits	—	9,60,000
	<b>TOTAL Rs.</b>	<b>7,30,453</b>	<b>10,04,589</b>
<b>7. OTHER CURRENT ASSETS</b>			
	Prepaid expenses	20,691	19,234
	Deposits recoverable	92,869	92,869
	Interest accrued	—	71,108
	Balance with Central Excise Department	8,452	8,452
	<b>TOTAL Rs.</b>	<b>1,22,012</b>	<b>1,91,663</b>
<b>8. LOANS AND ADVANCES</b>			
	[Unsecured, considered good, recoverable in cash or in kind or for value to be received]		
	Advances for Purchases	1,88,426	1,88,430
	Other advances	95,323	26,860
	Staff and workmen advances	42,119	44,083
	Advance Tax and TDS	68,799	1,27,601
	<b>TOTAL Rs.</b>	<b>3,94,667</b>	<b>3,86,974</b>

### 3. FIXED ASSETS

(Amount in Rupees)

S.NO.	DESCRIPTION	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		As at 31.3.2009	Additions	Deletions	As at 31.3.2010	Up to 31.3.2009	For the Year	On Deletions	Up to 31.3.2010	As at 31.03.2010	As at 31.03.2009
1	Land	37,78,773	—	—	37,78,773	—	—	—	—	37,78,773	37,78,773
2	Buildings – Factory	57,52,171	---	—	57,52,171	23,84,634	2,38,193	—	26,22,827	31,29,344	33,67,537
3	Plant and Machinery	43,41,833	6,03,953	8,44,874	41,00,912	22,82,469	2,22,304	5,61,292	19,43,481	21,57,431	20,59,364
4	Water works	2,84,089	---	—	2,84,089	91,469	14,912	—	1,06,381	1,77,708	1,92,620
5	Lab equipment	6,556	—	—	6,556	6,288	---	—	6,288	268	268
6	Office Equipment	5,83,307	---	—	5,83,307	3,58,037	28,681	—	3,86,718	1,96,589	2,25,270
7	Electrical Installations	5,56,083	---	—	5,56,083	2,84,143	25,697	—	3,09,840	2,46,243	2,71,940
8	Furniture and Fixtures	2,35,931	—	—	2,35,931	2,17,184	7,505	—	2,24,689	11,242	18,747
9	Cylinders	8,700	—	—	8,700	8,265	—	—	8,265	435	435
10	Technical Know – how	15,00,000	—	—	15,00,000	15,00,000	—	—	15,00,000	---	—
11	Library Books	92,544	—	—	92,544	92,544	—	—	92,544	---	—
12	Data Processing Equipment	3,72,903	---	—	3,72,903	3,21,576	8,157	—	3,29,773	43,170	51,327
Total Rs.		175,12,890	6,03,953	8,44,874	172,71,969	75,46,609	5,45,449	5,61,292	75,30,766	97,41,203	99,66,281
Add: Capital Work in Progress		4,38,709	1,65,244	6,03,953	---	—	—	—	---	---	4,38,709
		179,51,599	7,69,197	14,48,827	172,71,969	75,46,609	5,45,449	5,61,292	75,30,766	97,41,203	104,04,990
Less : Internal transfers		---	6,03,953	6,03,953	---	---	---	---	---	---	---
Total Rs.		179,51,599	1,65,244	8,44,874	172,71,969	75,46,609	5,45,449	5,61,292	75,30,766	97,41,203	104,04,990
PREVIOUS YEAR		Rs. 177,25,331	2,26,268	---	177,25,331	70,91,397	4,55,212	---	75,46,609	104,04,990	106,33,934



INCON ENGINEERS LIMITED



## INCON ENGINEERS LIMITED

S. No.	Particulars	As at 31.03.2010	As at 31.03.2009
<b>9. CURRENT LIABILITIES AND PROVISIONS</b>			
	<b>a) Current Liabilities</b>		
	Sundry Creditors		
	dues to Micro and Small Enterprises	9,83,044	4,19,193
	dues to other than Micro and Small Enterprises	6,36,284	11,66,819
	Other Liabilities	1,05,294	42,449
	Interest accrued but not due	—	58,058
	Due to Directors	—	3,88,177
	Advance against Sales	9,01,200	—
	TOTAL (a)	<u>26,25,822</u>	<u>20,74,696</u>
	<b>b) Provisions :</b>		
	Provision for : Fringe Benefit Tax	—	91,983
	: Gratuity	8,04,603	8,02,826
	: Leave encashment	43,226	30,605
	TOTAL ( b )	<u>8,47,829</u>	<u>9,25,414</u>
	TOTAL (a+b)	<u>34,73,651</u>	<u>30,00,110</u>
<b>10. OTHER INCOME</b>			
	Interest earned (Gross) (Others)		
	(TDS : Current Year - Nil	2,193	1,04,042
	: Previous Year - Rs. 20,519/- )		
	Excess Provision written back	3,94,503	22,199
	Credit Balances written back	—	2,02,557
	Profit and Sale of fixed assets	3,16,418	—
	TOTAL Rs	<u>7,13,114</u>	<u>3,28,798</u>
<b>11. RAW MATERIAL CONSUMED</b>			
	Opening stock	16,56,333	17,99,227
	Add: Purchases	15,25,995	1,25,895
		<u>31,82,328</u>	<u>19,25,122</u>
	Less : Stock written off	44,036	—
	: Diminution in the value of Materials	3,65,187	—
	: Closing stock	11,76,894	16,56,333
	TOTAL Rs.	<u>15,96,211</u>	<u>2,68,789</u>
<b>12. STAFF COST</b>			
	Salaries, Wages and Bonus	14,26,140	21,46,579
	Contribution to provident and other funds	1,21,020	2,02,524
	Workers and Staff Welfare expences	50,226	57,150
	Gratuity and Leave encashment	65,167	1,52,594
	TOTAL Rs.	<u>16,62,553</u>	<u>25,58,847</u>



# INCON ENGINEERS LIMITED

S. No.	Particulars	Current Year	Previous Year
<b>13.</b>	<b>OTHER EXPENSES</b>		
	Rent	-	1,35,000
	Rates and taxes	1,76,078	1,96,032
	Freight and transportation	21,530	5,549
	Bank Charges	1,884	10,842
	Insurance	24,380	24,847
	Advertisement and Business Promotion	38,936	38,050
	Printing and Stationery	24,915	29,026
	Communications	67,089	68,269
	Travelling and Conveyance	45,661	1,62,878
	Legal and Professional Charges	1,61,669	1,34,238
	Auditors Remuneration		
	As Auditors	33,090	27,575
	for Certifications	13,236	8,427
	Repairs & Maintenance		
	Plant and Machinery	8,449	15,276
	Buildings	2,18,565	20,705
	Other Assets	20,449	10,740
	Directors' Sitting fee	19,500	26,500
	Selling Expenses	13,521	462
	Watch and Ward	1,52,220	1,67,656
	Inventory Written off	44,036	-
	General Charges	63,815	83,793
	Warranty Maintenance	-	63,476
	<b>TOTAL Rs.</b>	<b>11,49,023</b>	<b>12,29,341</b>
<b>14.</b>	<b>(INCREASE) / DECREASE IN STOCKS</b>		
a.	Opening Stocks		
	Finished Goods	3,25,960	6,33,920
	Work-in-process	7,01,281	
	Less : Capitalised	1,51,675	7,95,043
	<b>TOTAL Rs.</b>	<b>8,75,566</b>	<b>14,28,963</b>
b.	Closing Stocks		
	Finished Goods	3,25,960	3,25,960
	Work-in-process	11,62,824	7,01,281
	<b>TOTAL Rs.</b>	<b>14,88,784</b>	<b>10,27,241</b>
	(Increase) / Decrease (a-b)	(6,13,218)	4,01,722





## INCON ENGINEERS LIMITED

### 15. NOTES ON ACCOUNTS:

#### 1. NATURE OF OPERATIONS

Incon Engineers Limited (the Company) has been incorporated on 13-02-1970. At present the Company is engaged in the business of manufacturing of Chemical process equipment and agricultural machinery.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### a) Basis of Accounting

The financial statements have been prepared to comply in all material respects with the Notified accounting standards by Companies (Accounting Standards) Rules 2006 (as amended) and relevant provisions of the Companies Act, 1956. The financial statements have been prepared in accordance with the generally accepted Accounting Principles in India under the historical cost convention on accrual basis, except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies are consistent with those used in the previous year.

##### b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### c) Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost to bring the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

##### d) Depreciation

i. Depreciation of Fixed Assets except Technical Know-how and Library is provided on Written down Value / Straight Line method as per Schedule XIV of the Companies Act, 1956. Technical know-how fees and cost of Library are written off over a period of 10 years equally commencing from the year in which they are acquired.

ii. Fixed Assets costing rupees Five thousand or less are fully depreciated in the year of acquisition.

##### e) Prior period items

All items of income / expenditure pertaining to prior period, which are material, are accounted through "Prior period adjustments" and the others are shown under respective heads of account in the Profit and Loss Account.

##### f) Contingent Liabilities

The contingent liabilities are indicated by way of a note and will be provided / paid on crystallisation.

##### g) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.



## INCON ENGINEERS LIMITED

In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

- ii. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset are no longer exist or have decreased.

### h) Inventories

- i. Raw materials, components, stores and spares are valued at lower of cost and net realisable value. However, raw materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on FIFO basis.
- ii. Finished goods, Work in progress, Scrap, by-products, loose tools and other stock in trade are valued at lower of cost and net realizable value.
- iii. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a FIFO basis and cost of finished goods includes excise duty wherever applicable. Cost of traded goods includes purchase and allied costs incurred to bring inventory to its present condition and location.
- iv. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

### i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specifically the following basis is adopted:

- i. **Sale of Goods :** Revenue is recognized when the significant risks and rewards of ownership of goods have passed to the buyer, which generally coincides with delivery. Sales are inclusive of excise duty and value added tax / sales tax and is net of sales returns and discounts.
- ii. **Interest :** Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of Fixed Assets, which take substantial period of time to get ready for their intended use, are capitalized. Other borrowing costs are recognized as an expense in the year in which they are incurred.

### k) Segment Reporting Policies

#### i. Identification of Segments:

The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets.

The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows.

- \* Sales within india include sales to customers located within india
- \* Sales outside india include sales to customers located outside india.

#### ii. Allocation of Common Costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.



## INCON ENGINEERS LIMITED

### iii. Unallocated Items :

Includes general corporate income and expense items which are not allocated to any business segment.

### l) Retirement and Other Employee Benefits

- i. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- ii. The Provident Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- iii. Short term compensated absences are provided on an estimated basis. Long term compensated absences are provided for based on actuarial valuation on project unit credit method carried by an actuary as at the end of the year.
- iv. Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

### m) Leases :

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight - line basis over the lease term.

### n) Taxes on income :

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act 1961 enacted in India. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only, if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

### o) Provisions :

A provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### p) Earnings per Share (Basic and Diluted) :

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



INCON ENGINEERS LIMITED

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**q) Cash Flow Statement:**

Cash flows are reported using indirect method. Cash and cash equivalents in the cash flow statement comprise cash at bank, cash/cheques in hand and Fixed Deposits with Banks.

- Disclosure of Sundry Creditors under current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" and relied upon by the Auditors. During the year the Company has paid no interest in terms of Section 16 of the said Act.
- Details of total outstanding dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprises Act, 2006.

Particulars	Current Year Rs.	Previous Year Rs.
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year.	9,83,044	4,19,193
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day each accounting year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Development Act, 2006	Nil	Nil



## INCON ENGINEERS LIMITED

5. In the opinion of the management, the current assets, loans and advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.

6. Contingent Liabilities not provided for on account of	2009-10 Rs.	2008-09 Rs.
a) Claims against the Company not acknowledged as a debts	16,09,905	15,90,105
b) Demands from Sales Tax Department disputed by the Company pending in appeals to extent not provided for	1,25,101	1,25,101

7. Disclosure relating to the Gratuity liability as per Accounting Standard 15 "Employee Benefits"

a. The amounts recognised in the Balance Sheet	2009-10	2008-09
Particulars	Rs.	Rs.
Present value of obligations	8,04,603	8,02,826
Fair value of plan assets	Nil	Nil
Net Liability recognised in the Balance Sheet as provision	<u>8,04,603</u>	<u>8,02,826</u>
b. Changes in the present value of the defined obligation	2009-10	2008-09
Particulars	Rs.	Rs.
Opening defined benefit obligation	8,02,826	7,78,565
Current Service Cost	42,622	7,229
Interest Cost	64,226	62,285
Benefits Paid	(50,769)	(1,26,016)
Actuarial (gain)/loss on obligation	(54,302)	80,763
Closing defined benefit obligation	8,04,603	8,02,826
c. The amounts recognised in the profit and loss account	2009-10	2008-09
Particulars	Rs.	Rs.
Current service cost	42,622	7,229
Interest cost	64,226	62,285
Actuarial (gain)/loss on obligation	(54,302)	80,763
Net benefit expenditure	52,546	1,50,277



## INCON ENGINEERS LIMITED

### d. Principal actuarial assumptions

Particulars	2009-10	2008-09
Rate of escalation in Compensation	4%	4%
Discount rate	8%	8%
Attrition rate	1%	1%
Retirement age in years	58	58

The rate of escalation in compensation considered in the above valuation is estimated taking into account inflation, seniority, promotion and other relevant factors and the above information is certified by an actuary.

8. The Company's main business is manufacturing of chemical process equipment and agricultural machinery and all other activities of the Company revolve around the main business and as such there are no separate reportable business segments as per the Accounting Standard "Segmental Reporting" (AS17)
9. The details of the transactions with related parties to be disclosed as required by Accounting Standard - 18 are as follows.

#### a) Names of related parties and description of relationship.

- i) Key Management Personnel : Sri Sreedhar Chowdhury,  
Managing Director.
- ii) Relatives of Key Management Personnel : Smt. R. Chowdhury,  
W/o Sri Sreedhar Chowdhury.
- iii) Associates : Oxeeco Meditek Pvt.Ltd,  
: Oxeeco Technologies Pvt.Ltd,  
: The Oxygen Equipment &  
Engineering Co.Ltd.,  
: Fusion Lastek Technologies Pvt. Ltd.

b) Transaction with related parties during the year	2009-10 Rs.	2008-09 Rs.
i) Key Management Personnel		
Sri Sreedhar Chowdhury		
Managerial Remuneration	NIL	5,88,600
Advances Taken	2,25,000	5,22,000
Advanced Repaid	5,27,000	2,20,000
ii) Relatives of Key Management Personnel		
Smt. R. Chowdhury		
Rent Paid	NIL	1,35,000



# INCON ENGINEERS LIMITED

## iii) Associates

### Oxeeco Meditek Private Limited

Loan Taken	Nil	5,40,000
Loan Repaid	5,40,000	Nil
Interest on loan	63,912	22,691

### Oxeeco Technologies Private Limited

Job Charges	Nil	(7,05,193)
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### Fusion Lastek Technologies Private Limited

Loan Taken	13,60,000	6,00,000
Loan Repaid	18,10,000	1,50,000
Interest on loan	1,22,151	21,833

## c) Year end Balances { due from / (due to) }

i) Sri Sreedhar Chowdhury	Nil	(3,88,177)
ii) Fusion Lastek Technologies Private Limited	Nil	(4,66,886)
iii) Oxeeco Meditek Private Limited	Nil	(5,57,549)
iv) Oxeeco Technologies Private Limited	Nil	(23,623)

10. Calculation of Earnings Per Share	Current Year	Previous Year
a) Net Profit available to Equity shareholders (in Rs.) :	(7,67,757)	(61,25,287)
b) Weighted average number of Equity shares (Nos.) :	43,27,100	43,27,100
c) Face value per Share (in Rs.) :	10/-	10/-
d) Earnings per Share (Basic & Diluted) (in Rs) :	(0.18)	(1.42)

11. In terms of Accounting Standard (AS-22) on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset as on 31<sup>st</sup> March, 2010. In compliance with the provisions of the Accounting Standard and based on general prudence, the Company has not recognized the said deferred tax asset while preparing the accounts for the current year.

12. The Management has carried out the assessment of impairment of assets and no impairment loss has been recognized during the year.

13. Licensed and installed capacity and actual production.

a) Licensed and installed capacities	Not applicable		
b) Actual production	Unit	2009-10	2008-09
Chemical Process Equipment	Nos	1	Nil
Power Tillers	Nos	Nil	2



# INCON ENGINEERS LIMITED

14. Consumption of Raw Materials	Unit	Quantity	Value in Rs.
		2009-10	2008-09
Steel	MTS.	9,365	0,205
Others			
		9,86,541	44,440
		6,09,670	2,24,349
		15,96,211	2,68,789

15. Analysis of materials consumed	2009-10	2008-09
	Percentage	Value in
Imported	20.62	4,13,515
Indigenous	79.38	11,82,696
	100.00	15,96,211

16. Details of traded goods	Unit	Quantity	Value in Rs.
		2009-10	2008-09
Opening and Closing Stocks			
Land Leveling Parts	Nos.	82	82
Land Survey Instruments	Nos.	40	40
Others	Nos.	10	10
		132	132
		3,25,960	3,25,960

17. Details of Opening Stock, Closing Stock and sale of finished goods	Unit	Quantity	Value in Rs.
		2009-10	2008-09
Opening and Closing Stocks		Nil	Nil
Sales :			
Chemical Process Equipment	Nos.	1	Nil
Power Tillers	Nos.	Nil	2
Spares and others			
		21,63,420	Nil
		16,34,829	1,24,800
		37,98,249	5,62,538

18. Previous year figures are regrouped and reclassified wherever necessary to make them comparable with those of current year.

Per our report of even date

For Brahmayya & Co.

Chartered Accountants

Firm's Registration Number : 000513S

For and on Behalf of Board

Place: Hyderabad

Date : 30.06.2010

**P. Chandramouli**

Partner

**Sreedhar Chowdhury**

Managing Director

**S. Manohar Raju**

Director

Membership No. 025211





# INCON ENGINEERS LIMITED

## Schedule - 1

Information pursuant to part-IV of Schedule VI of Companies Act, 1956  
Balance Sheet Abstract and Company's General Business Profile

### 1. Registration Details:

Registration No 1 3 1 9

State Code 0 1

Balance Sheet Date 3 1 0 3 2 0 1 0

### 2. Capital Raised during the year

Public Issue N I L

Rights Issue N I L

Bonus Issue N I L

Private Placement N I L

### 3. Position of Mobilisation and Deployment of Funds

Total Liabilities 5 7 2 9 6 1 7 3

Total Assets 5 7 2 9 6 1 7 3

#### Sources of Funds

Paid-up Capital 5 7 1 3 7 5 0 0

Reserves & Surplus 1 5 8 6 7 3

Secured Loans N I L

Unsecured Loans N I L

#### Application of Funds

Net Fixed Assets 9 7 4 1 2 0 3

Investments N I L

Net Current Assets 4 8 1 2 4 5

Misc. Expenditure N I L

Accumulated Losses 4 7 0 7 3 7 2 5

### 4. Performance of the Company

Turnover 4 5 1 6 8 7 8

Total Expenditure 5 2 9 6 2 3 6

(including other income)

Loss Before Tax 7 6 7 7 5 7

Loss After Tax 7 6 7 7 5 7

Earning per Share in Rs (0.18)

Dividend Rate % N I L



## INCON ENGINEERS LIMITED

### 5. Generic Names of three Principal Products/services of the company (As per monetary terms)

Product Description

P	O	W	E	R	T	I	L	L	E	R	S
---	---	---	---	---	---	---	---	---	---	---	---

Item Code No  
(ITC Code)

8	4	7	9	8	9
---	---	---	---	---	---

Product Description

C	H	E	M	I	C	A	L	P	R	O	C	E	S	S	E	Q	U	I	P	M	E	N	T
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No  
(ITC Code)

8	4	1	9	6	0
---	---	---	---	---	---

Product Description

C	R	Y	O	G	E	N	I	C	T	A	N	K
---	---	---	---	---	---	---	---	---	---	---	---	---

For and Behalf of Board

Place: Hyderabad  
Date : 30.06.2010

**Sreedhar Chowdhury**  
Managing Director

**S. Manohar Raju**  
Director



## **INCON ENGINEERS LIMITED**

### **INCON ENGINEERS LIMITED**

Regd. Office : B-6/3, I.D.A., Uppal, Hyderabad-500039

#### **ATTENDANCE SLIP**

Registered Folio No.....

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF MEETING.

I hereby record my presence at the 40th Annual General Meeting of the Company held at B-6/3, I.D.A. Uppal, Hyderabad -500039 on the Monday, the 6th day of September, 2010 at 11.00 a.m.

Signature of Member/Proxy.....

#### **NOTES :**

- (1) Members/Proxy holders are requested to bring their Attendance Slips with them when they come to the Meeting and hand it over at the entrance after signing it.
- (2) Members/Proxy holders who come to attend the meeting are requested to bring their copies of the Notice with them.

### **INCON ENGINEERS LIMITED**

Regd. Office: B-6/3, I.D.A., Uppal, Hyderabad -500039

#### **PROXY FORM**

(Registered Folio No. & Name of the Member and address as given on the envelope to be furnished below) Name and Address of Member (in Block letter)

Registered Folio No.....

I/We ..... of ..... being member/member(s) of the above named Company hereby appoint.....of..... or failing him/her .....of ..... as my/our proxy to attend and vote for me/us and on my/our behalf at the 40th Annual General Meeting of the Company to be held at B-6/3, I.D.A., Uppal, Hyderabad-500039 on the 6<sup>th</sup> day of September, 2010 at 11.00 a.m. and at any adjournment thereof.

As witness my/our hand (s) this ..... day of .....2010.

Signed by the said .....

Affix  
1 Rupee  
Revenue  
Stamp

Signature (s) of member(s)  
Across the stamp

#### **NOTE:**

The proxy must be returned duly completed so as to reach the Registered Office of the Company not less than 48 hours before the scheduled time for holding the aforesaid meeting.