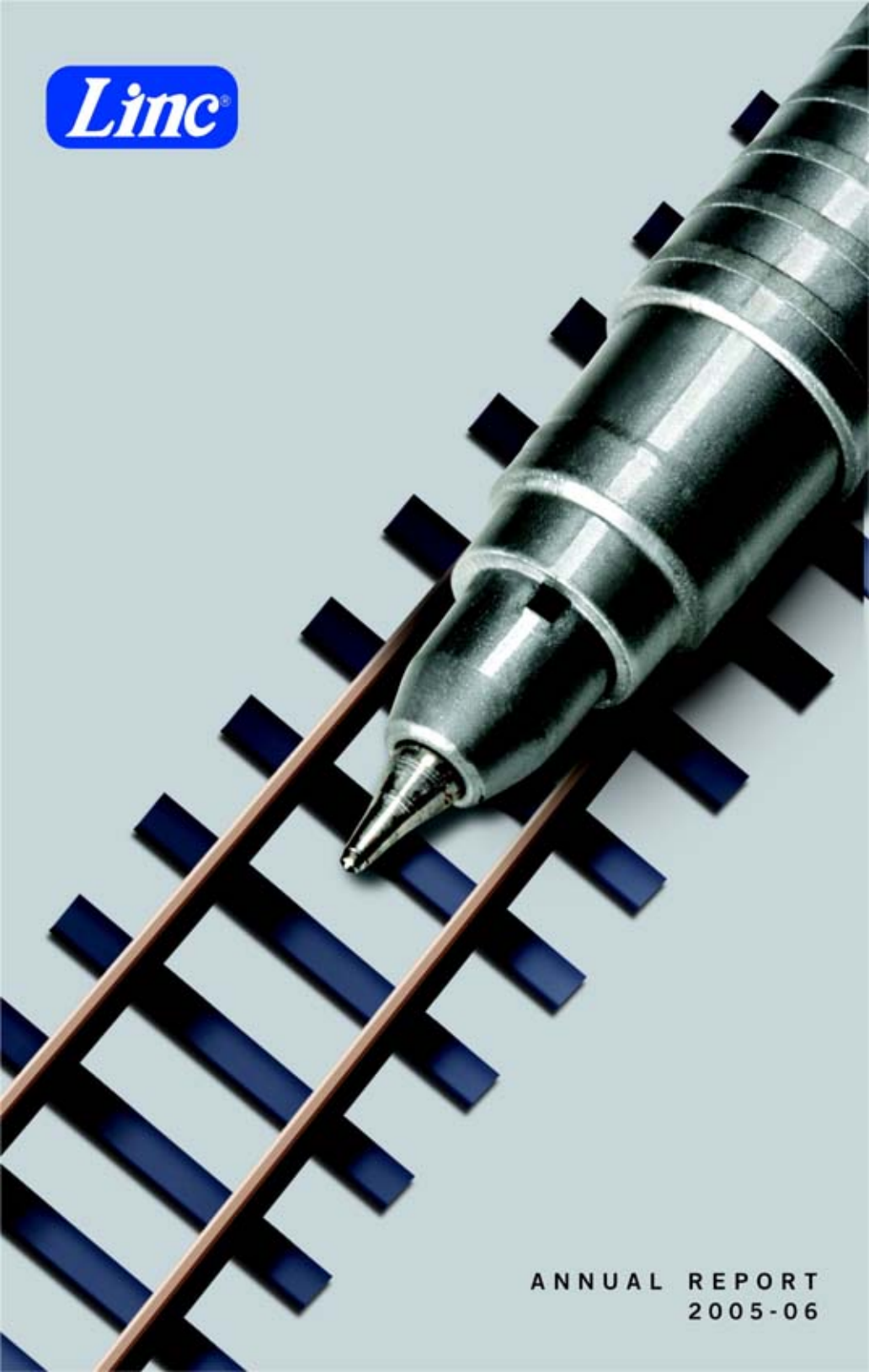


Linc[®]



ANNUAL REPORT
2005-06



MARKLINE



BOARD OF DIRECTORS

	Category
Shri Sohan Lal Kochar	Independent, Non-executive
Shri Kedar Nath Ranasaria	Independent, Non-executive
Shri Prahlad Rai Agarwala	Independent, Non-executive
Dr. Ranjan Das	Independent, Non-executive
Shri Naresh Pachisia	Independent, Non-executive
Shri Deepak Jalan	Managing Director
Shri Prakash Jalan	Whole Time Director
Shri Alope Jalan	Whole Time Director

COMPANY SECRETARY
N. K. Dujari

REGISTERED OFFICE

Satyam Towers,
3, Alipore Road, Kolkata - 700 027
Phone: (033) 2479 0248/49/50
Fax: (033) 2479 0253
e-mail: investors@lincpen.com
website: www.lincpen.com

WORKS

- Ø Linc Estate
Usthi Road, Serakole,
24 Pgns. (S), Pin - 743 513
West Bengal
Phone: (033) 2420 4275/76
Fax: (033) 2420 4441
e-mail: works@lincpen.com
- Ø 88, Pilerne Industrial Estate,
Pilerne Bardez, Goa - 403 511
Phone: (0832) 240 7227,
3290621/648
Fax: (0832) 240 7227
e-mail: pilerne@lincpen.com
- Ø D3/6A, Corlim Industrial Estate
Corlim, Ilhas, Goa
Phone: (0832) 228 4734
Fax: (0832) 228 4222
e-mail: pagarwal@lincpen.com

BRANCH OFFICES

GOA BRANCH

New Horizon, Suite A2/2,
D.B. Marg, Miramar
Panaji 403 001, Goa
Phone: (0832) 246 5418 / 5644
Fax: (0832) 246 5747
e-mail: lincgoa@lincpen.com

MUMBAI BRANCH

32F, Laxmi Industrial Estate,
New Link Road, Andheri (West)
Mumbai - 400 053
Phone: (022) 6692 4255 / 4375
Fax: (022) 6694 2963
e-mail: lincmumbai@lincpen.com

DELHI BRANCH

B-34/1, G.T.K. Road Industrial Area,
New Delhi - 110 033
Phone : (011) 3251 3350

NOIDA BRANCH

B-27, Sector - I, G. B. Nagar
Noida - 201 301, U.P.
















AUDITORS

G. P. Agrawal & Co.
Chartered Accountants
7A, Kiran Shankar Ray Road
Kolkata - 700 001

BANKERS

State Bank of India
IDBI Bank Ltd.

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 12th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2005 - 06	2004 - 05
Sales & Other Operational Income	13581.14	12350.46
Other Income	18.53	17.46
Profit before depreciation, interest and taxation	826.74	918.32
Interest	179.90	123.06
Depreciation	275.49	223.53
Profit before Tax	371.35	571.73
Provision for Taxation - Current	38.00	96.00
- Fringe Benefit Tax	9.72	—
- Deferred	1.25	3.05
Profit after Tax	322.38	472.68
Add: Credit Balance of the previous year	153.37	235.77
Amount available for Appropriation	475.75	708.45
Transfer to General Reserve	200.00	400.00
Proposed Dividend	96.00	136.01
Corporate Tax on Dividend	13.47	19.07
Balance carried to Balance Sheet	166.28	153.37

DIVIDEND

Your Directors recommend a Dividend of 12% (previous year 17%) for the year ended 31st March, 2006.

FINANCIAL PERFORMANCE

Performance: During the year under review, the Company's Sales (incl. Other Operational Income) increased by about 10% to Rs.13581.14 Lacs as compared to Rs.12350.46 Lacs during the preceding year. The Profit after Tax during the year however decreased by about 32% to Rs.322.38 Lacs as compared to Rs.472.68 Lacs in the preceding year. The advertisement spendings increased by 59% at 542.73 Lacs, which was 4% of Sales as compared to 2.8% in the preceeding year.

Loan Cost : The Interest cost was up by 46.2% at 179.90 Lacs in 2005-06 from Rs.123.06 Lacs in 2004-05. The increase was primarily on account of additional borrowings for working capital and new term loan taken by the Company. The Interest / turnover is 1.3% and Interest Cover is 4.6 in 2005-06, which was 1.0% and 7.5 respectively in 2004-05.

Working Capital : The year end Debtors comprise 10.6%(39days) and the inventory consist of 27.2%(99days) of the sales for the year. In the previous year the Debtors were 10.6%(39days) and the inventory consist of 25%(91days) of the sales for the year. The Creditors were 56 days of purchase as compared to 48 days in the previous year.

Fixed Assets : The Company spent Rs.385.11 Lacs on acquisition of Fixed Assets. These were financed mainly out of term loan.

RECOGNITION / AWARDS

The Company retained its "P1" rating as regards Rs.100 Million Commercial Paper Programme of our Company. As per them, this rating indicates that the degree of safety with regard to timely payment of interest and principal on the instrument is very strong.

The Company received Emerging India Award in 2005 for the Best SME in FMCG, Food and Agri Business Category, organized by CNBC TV18. This was India's first award recognizing achievement of Small and Medium Enterprises.

NEW PRODUCTION UNIT

The Company decision to set up a new unit in West Bengal is kept on hold for the time being.

OUTLOOK

During 2005-06, the growth, both in topline and bottomline, was affected due to unexpected delay in the launch of major new products, which were expected to contribute significantly to the overall targets. Though these new products, launched only in the second half of the year, are now expected to make significant contribution to the turnover of the Company, during 2006-07.

The Company sold an average of 1.44 Million Pens a day during 2005-06, which was same as that of last year. However the average realisation per pen increased from Rs.2.06 to Rs.2.25, a growth of 9.26%. The focus during 2006-07 will be more on the higher value products, which shall help further increase the average realisation per pen, thereby resulting into higher profitability.

However, the special emphasis on brand building and rising input prices will keep the profitability under pressure, since the entire increase in cost may not be possible to pass on to the trade / consumer.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that :-

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed;

- ii) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company had complied with the requirements of Corporate Governance in terms of clause 49 of the Listing Agreement with Stock Exchanges. A separate report each on Corporate Governance and Management Discussion and Analysis is attached to this report as Annexure – "A" and Annexure – "B" along with Auditors' Certificate on its due compliance.

LISTING

The equity shares of the Company are listed on the Stock Exchange, Mumbai (BSE) and the Calcutta Stock Exchange (CSE).

PARTICULARS OF EMPLOYEES

The Company does not have any employee falling within the scope of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of the Employees) rules, 1975.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Shri Naresh Pachisia and Shri Alope Jalan, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

A statement pursuant to section 217(1)(e) of the Companies Act, 1956, giving details of measures taken towards conservation of energy, technology absorption, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998 is annexed as Annexure - C.

AUDITORS

Your Directors request you to appoint Auditors / Branch Auditors for the Current Financial Year.

ACKNOWLEDGEMENT

Your directors wish to express their gratitude for the continued co-operation, support and assistance provided by all the valued Channel Partners, Distributors, Suppliers, Bankers, Shareholders, the Central and State Governments.

For and on behalf of the Board



Deepak Jalan
Managing Director



Prakash Jalan
Whole Time Director

Place : Kolkata
Dated : 29th June, 2006

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

The manufacture of writing instruments in India is reserved for the small scale sector. Faced with statutory limit on the investments in plant and machinery, the industry prefers to manufacture the critical components in-house and outsource the rest from dedicated vendors. The size of the writing instruments industry in India is estimated to be about Rs.1900 crores, out of which, the organized players account for about Rs.1450 Crores. The industry growth rate is estimated at about 5-10%. The share of organised sector is increasing gradually on account of better quality and increased emphasis on branding.

The domestic brands cater to the mass segment of the pens below Rs.20/-, while the international brands generally cater to the premium segments. Currently, the international players generally operate in India through exclusive distributors.

OPPORTUNITIES AND THREATS

India is one of the most exciting markets offering great potential for writing instrument industry on account of –

- n Favourable age structure of India's population.
- n Increased per capita income prompting an upgrade in the product value chain.
- n Increased literacy levels.
- n Booming services sector - expanding the working population rapidly.
- n Buoyancy in the organized retail.
- n Enormous potential in the export market.

However the opportunities may attract new players in the industry and can intensify competition and put a pressure on the margin.

PRODUCT WISE PERFORMANCE

During 2005-6, about 80% of the sale was from manufacturing operation as compared to 71% in the previous year.

Pens: The Company sold 434.2 Million Pens in 2005-6 as compared to 431.8 Million Pens in 2004-5 taking the total sales from Pens from Rs.8910.93 Lacs to Rs.9790.78 Lacs in 2005-6 a growth of 9.9%. The average realisation per pen increased from Rs.2.06 to Rs.2.25, a growth of 9.3%. In the current financial year the Company expects a further increase of 10 - 15% in the average realisation.

Refill: The Company sold 289.4 Million Refills in 2005-6 as compared to 255.3 Million Refills in 2004-5 taking the total sales from Refills from Rs.2211.61 Lacs to Rs.2382.05 Lacs in 2005-6 a growth of 7.7%. The average realisation per refill decreased from Rs.0.87 to Rs.0.82.

Pencil: The Company sold 36.3 Million Pencils in 2005-6 as compared to 20.4 Million Pencils in 2004-5 a growth of 78.3% in volume. The total sales from Pencils during 2005-6 was Rs.508.63 Lacs as compared to Rs.317.71 Lacs in 2004-5. The average realisation per pencil decreased from Rs.1.56 to Rs.1.40 on account of decreased share of non-sharpening pencil in the overall pencil volume.

Export: Exports registered a growth of 36% during 2005-6. The total exports were Rs.20.42 Crores in 2005-6 as compared to Rs.15.01 Crores in 2004-5. The Company added new customers while increased off takes by existing customers.

OUTLOOK

Please refer to the Directors' Report

RISK AND CONCERNS

Increasing trend in the prices of key raw materials, forex market fluctuations and its impact on the product pricing remain an area of concern for the Company. Low quality cheap imitations are also a concern for the Company. The Company is keeping a close watch on these and is taking possible strategic steps as and when required to address these concerns.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate Internal Control Systems and procedures in all areas of operation, which is commensurate with its size. Its comprehensive system of internal control ensures an optimal use of resources. The internal control is supplemented by an internal audit, which is done by an independent firm of Chartered Accountants. Internal audit and other controls are reviewed periodically by Audit Committee and found to be adequate.

In view of ISO 9001 certification received by the Company's Goa Manufacturing Facilities, this Unit is subject to Quality / Systems Audit on recurring basis.

The Company, in order to have a better information system, has decided for a Business Process Re-engineering and further implement the ERP solutions from S A P. The Company has chosen M/s. Price Waterhouse Coopers as their implementation partners. The core modules are expected to Go-live by the end of January 2007. The Company would connect all its branch offices and plants with the central server in Kolkata.

FINANCIAL PERFORMANCE

Please refer to the Directors' Report

HUMAN RESOURCES

The Industrial relations during the year remained cordial. The Company as on 31st March, 2006 had 395 employees on its roll. The Board wishes to place on record its appreciation for the sustained efforts and devoted contribution made by all the employees towards the Company objectives.

CAUTIONARY STATEMENT

Statements in the Directors' Report and Management discussion and Analysis describing the Company's position and expectations may be "Forward Looking Statements" within the meaning of applicable securities laws & regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the market in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company firmly believes in and has consistently endeavoured to practice good Corporate Governance. A good corporate governance consists of a combination of business practices which result in enhancement of the value of the Company to shareholders and simultaneously enable the Company to fulfill its obligations to other stakeholders such as customers, employees and financiers, and to the society in general. The Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environmental consciousness. The Company makes its best endeavours to uphold and nurture these core values in all aspects of its operations.

2. BOARD OF DIRECTORS :

COMPOSITION AND CATEGORY

The present strength of the Board of Directors is eight, whose composition is given below:

- 1 3 Promoter, Executive Directors
- 1 5 Independent, Non-Executive Directors.

The composition of the Board of Directors and also the number of other Board of Directors or Board Committees of which he is a member/Chairperson are as under:

Name of the Director	Category	No. of Other Directorship*	No. of Membership of other Board Committee	No. of Board Committee for which Chairperson
Shri Deepak Jalan	Promoter, Executive	Nil	Nil	Nil
Shri Prakash Jalan	Promoter, Executive	Nil	Nil	Nil
Shri Aloke Jalan	Promoter, Executive	Nil	Nil	Nil
Shri S. L. Kochar	Independent, Non- Executive	1	1	1
Shri P. R. Agarwala	Independent, Non- Executive	2	Nil	Nil
Shri Naresh Pachisia	Independent, Non- Executive	5	5	1
Shri K. N. Ranasaria	Independent, Non- Executive	1	2	Nil
Dr. Ranjan Das	Independent, Non- Executive	1	1	Nil

* Directorships in Private Companies are not included.

There is no permanent Chairman in the Board.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

During the financial year ended March 31, 2006, five Board Meetings were held on 21st April, 2005, 28th June 2005, 28th July, 2005, 31st October 2005 and 23rd January, 2006. The attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) is as under :

Name of the Directors	No. of Board meetings attended	Attendance at last AGM held on 31.08.2005
Shri S. L. Kochar	4	Present
Shri P. R. Agarwala	3	Present
Shri Naresh Pachisia	5	Leave of Absence
Shri K. N. Ranasaria	3	Leave of Absence
Dr. Ranjan Das	5	Present
Shri Deepak Jalan	5	Present
Shri Prakash Jalan	4	Present
Shri Aloke Jalan	1	Leave of Absence

3. CODE OF CONDUCT :

In line with the amended Clause 49 of the listing agreement, the Company adopted a Code of Conduct and ethics for its Directors and Senior Executives. All the Board Members and Senior Management personnel have affirmed compliance with the code of conduct. A declaration to this effect signed by the Managing Director has been taken on record. The Code of Conduct of the Company has been posted on the website at www.lincpen.com for general viewing.

4. AUDIT COMMITTEE :

The Audit Committee presently comprises of three Directors, who are Independent and Non-Executive. All these Directors possess knowledge of corporate finance, accounts and law. During the financial year ended March 31, 2006, four Audit Committee Meetings were held on 28th June 2005, 28th July, 2005, 31st October, 2005 and 23rd January, 2006. The attendance of the Members were as under-

Members	No. of Meetings Attended
Shri S. L. Kochar, Chairman	4
Shri Naresh Pachisia	4
Shri K. N. Ranasaria	3

The role and terms of reference of the Audit Committee cover the matter specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The Company Secretary acts as the Secretary to the Committee. The Statutory Auditor and the Internal Auditor of the Company are permanent invitee at the meetings of the Committee.

5. REMUNERATION COMMITTEE :

The Committee comprises of Shri Naresh Pachisia, Chairman, Shri S. L. Kochar, and Shri Deepak Jalan. The terms of reference of the remuneration committee inter alia consists of formulating a remuneration policy of the Company and to supervise its implementation and fixing remuneration of the working directors including Managing Director(s), Whole time director(s) and Manager(s) and to revise the same from time to time.

Remuneration Policy : Non-executive directors are remunerated by way of sitting fees and are also entitled to a commission (to divided among them in such proportion as the Board may determine from time to time) not exceeding 1% of the net profits only. The Company pays remuneration by way of Salary, Perquisites and Allowances to Managing Director and Whole Time Director, as approved by the members and as permitted under Schedule XIII to the Companies Act, 1956. The Details of Remuneration paid to Directors are as under:

Name of the Director	Salary	Benefits	Sitting Fees	Commission	Total	Service contract/ Notice period/ Severance fees
Shri Deepak Jalan	14,79,000	1,88,370	-	-	16,67,370	Terms of office valid upto 30.09.10. No notice period & severance fee.
Shri Prakash Jalan	12,57,000	156,021	-	-	14,13,021	-do-
Shri Aloke Jalan	9,63,000	128,150	-	-	10,91,150	-do-
Shri S. L. Kochar	-	-	23,000	82,000	105,000	Retire by rotation
Shri P. R. Agarwala	-	-	15,000	82,000	97,000	-do-
Shri Naresh Pachisia	-	-	32,250	82,000	114,250	-do-
Shri K. N. Ranasaria	-	-	17,000	82,000	99,000	-do-
Dr. Ranjan Das	-	-	25,000	82,000	107,000	-do-

6. SHAREHOLDERS' COMMITTEE :

i) Share Transfer Committee :

The Share Transfer Committee comprises of Shri Deepak Jalan and Shri Naresh Pachisia. The Committee deal with various matters relating to share transmission, issue of duplicate share certificates, approving the split and consolidation requests and other matters relating to transfer and registration of shares. During the financial year ended 31st March, 2006, 17 Share Transfer Committee Meetings were held.

ii) Shareholder/Investor Grievances Committee :

The Shareholder / Investor Grievances Committee comprises of Shri K. N. Ranasaria as the Chairman and Shri Deepak Jalan. The Committee is to oversee the redressal of the Shareholders' and Investors' grievances in relation to transfer of shares, non-receipt of Annual Report, non-receipt of dividend etc. The total number of complaints received and replied, to the satisfaction of the shareholders during the year were 15. There were no outstanding complaints as on 31st March, 2006. Number of Shares pending for transfer as on 31st March, 2006 were 1500 Shares.

iii) Compliance Officer

The Board has designated Shri N. K. Dujari, G. M. – Finance & Company Secretary as the compliance officer.

7. GENERAL BODY MEETING

Location and time, where last three Annual General Meetings were held is given below :

Financial Year	Date	Location of the Meeting	Time
2002 – 2003	29.09.2003	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkatta – 700 020	3.00 p.m.
2003 – 2004	09.09.2004	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkatta – 700 020	3.30 p.m.
2004 – 2005	31.08.2005	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkatta – 700 020	3.30 p.m.

No special resolution was put through ballot at the last AGMs.

No resolution by postal ballot was passed during last year.

8. CEO/CFO CERTIFICATION

The Managing Director, Mr. Deepak Jalan, appointed in terms of the Companies Act, 1956 and G. M.- Finance, Mr. N.K. Dujari, heading the finance function certify to the Board that :-

- The financial statements and the Cash Flow Statement for the year have been reviewed and, to the best of their knowledge and belief, and true and present a true and fair view of the Company's affairs.
- To the best of their knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- They accept the responsibility for establishing and maintaining internal controls, evaluate the effectiveness, disclosing, the deficiencies to the Auditors & the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- They indicated to the Auditors and Audit committee :
 - Significant changes in Internal Control Processes during the year,
 - Significant changes in Accounting Policies; and,
 - No instances of significant fraud have taken place.

9. DISCLOSURES :

- The Company does not have any related party transactions, which may have potential conflict with the interests of the Company at large. The transactions with related parties are at prices which are reasonable having regard to the prevailing market prices for such goods / services.
- The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it during the last three years.

- iii) The Company is regularly complying with all the mandatory requirements of Clause 49 of the Listing Agreement regarding Board Composition, Code of conduct, Audit Committee, quarterly and annual disclosures etc. The Company has adopted the non-mandatory requirement of remuneration committee.
- iv) The particulars of directors seeking reappointment are given in the explanatory statement to the notice of Annual General Meeting.

10. MEANS OF COMMUNICATION :

- i) A half-yearly report was not sent to each household of the shareholders. Shareholders were intimated through the press and the Company's website – www.lincpen.com about the quarterly performance and financial results of the Company.
- ii) The quarterly and half yearly results are published in the leading newspapers in English and Bengali such as The Business Standard, The Economic Times, The Times Of India and Kalantar.
- iii) As per the newly inserted clause 51 of the Listing Agreement with the stock exchanges, certain documents / informations such as quarterly / annual financial results, shareholding pattern and corporate governance are accessible on the website www.sebidifar.nic.in.
- iv) The Company results and official news release are displayed on the Company's Website: www.lincpen.com.
- v) No presentation have been made to institutional investors or analysts etc.
- vi) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

11. GENERAL SHAREHOLDER INFORMATION :

Detailed information in this regard provided in the shareholder information section forms part of this Annual Report.

- i) Annual General Meeting
- Date and Time : 25th September, 2006 at 3.30 p.m.
 - Venue : Shripati Singhanian Hall, 94/2, Chowringhee Road, Kolkatta – 700 020
- ii) Financial Calendar :
- Financial Year : 1st April to 31st March
 - Results : 1st Qtr – end July, 2006
2nd Qtr – end October, 2006
3rd Qtr – end January, 2007
4th Qtr – end June, 2007
- iii) Book closure date : 23.08.2006 to 31.08.2006 on account of AGM and Dividend.
- iv) Dividend payment date : After 25th September, 2006
- v) Listing of Equity Shares on Stock Exchanges at
- i) The Calcutta Stock Exchange Association Ltd
7, Lyons Range, Kolkata – 700 001
 - ii) The Stock Exchange, Mumbai,
The Corporate Relationship Department
Rotunda Building, PJ Tower,
Dalal Street, Fort, Mumbai – 400 001

- vi) Listing Fees : Listing fee for the year 2005 – 2006 has been paid to the above Stock Exchanges.
- vi) Stock Code : The Stock Exchange, Mumbai - 531241
Calcutta Stock Exchange – 10022035
Demat ISIN No. – INE 802B01019
- vii) Market Price Data – High /Low during each month of the year ended 31st March, 2006, on the Stock Exchange, Mumbai.

Month	High (Rs.)	Low (Rs.)
April, 2005	45.85	39.00
May, 2005	63.90	42.00
June, 2005	78.90	54.10
July, 2005	87.40	62.00
August, 2005	83.00	67.00
September, 2005	78.70	61.00
October, 2005	66.00	46.90
November, 2005	66.00	53.90
December, 2005	68.80	56.50
January, 2006	85.00	57.50
February, 2006	63.30	53.05
March, 2006	57.75	43.55

- viii) Share Price performance in 2005-06 comparison to broad based indices – BSE Sensex
% Change in Linc's Share Price: + 13% % Change in BSE Sensex : + 73%

- ix) Share Transfer System : Presently, the share transfers which are received in physical form are normally effected within a maximum period of 30 days from the date of receipt and Demat are confirmed within a maximum period of 14 days by Registrar and Share Transfer Agent – M/s.Maheshwari Datamatics Pvt. Ltd, 6, Mangoe Lane, Kolkata-700 001.

- x) Distribution of Shareholding :
Distribution of Shareholding by Ownership

Holding Pattern	No. of Shares	Shareholding %
1 Promoters & Associates	38,32,788	47.91
2 Financial Institutions, Banks / Mutual Funds	573,000	7.16
3 NRI, FIIs, etc.	43,426	0.54
4 Private Corporate Bodies	11,63,317	14.54
5 Indian Public	23,87,769	29.85
Total	80,00,300	100.00

Distribution of Shareholding by Size

Range of Shares	Shareholders		Shares	
	Number	%	Nos.	%
1 to 500	4448	83.97	6,80,110	8.50
501 to 1000	348	6.57	2,95,412	3.69
1001 to 5000	388	7.33	8,88,213	11.10
5001 to 10000	41	0.77	3,04,751	3.81
10001 & above	72	1.36	58,31,814	72.90
Total	5297	100.00	80,00,300	100.00

xi) Dematerialisation of Shares :

Holding	No. of Holder	%	No. of Shares	%
Physical	986	18.61	3,74,004	4.67
Demat	4311	81.39	76,26,296	95.33
Total	5297	100.00	80,00,300	100.00

xii) Outstanding GDR/ADR or any convertible Instruments : Not Applicable

xiii) The manufacturing facilities of the Company are located at Serakole, West Bengal, Corlim and Pilerne, Goa

xiv) Address for Correspondence : For Share Transfer and related queries -
M/s. Maheswari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor,
Kolkata – 700 001
Phone – 22435029/5809, Fax – 2248 4787
e-mail – mdpl@cal.vsnl.net.in

For General Assistance
Mr. N. K. Dujari,
G. M. - Finance & Company Secretary
Linc Pen & Plastics Ltd.
3, Alipore Road, Kolkata – 700 027
Phone – 2479 0248, Fax – 2479 0253
e-mail – investors@lincpen.com

Declaration

As provided under Clause 49 of the Listing Agreement with Stock Exchanges, the Directors and Senior Management have affirmed compliance with the Companies Code of Conduct during the financial year ended 31st March, 2006.



Deepak Jalan
Managing Director

Kolkata, 29th June, 2006

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF
LINC PEN & PLASTICS LIMITED

We have examined the compliance of the conditions of Corporate Governance by Linc Pen & Plastics Limited for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

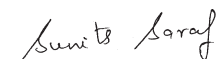
The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the 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, and the representation made by the directors and the management, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained, there were no investors grievances remaining unattended/ pending for more than 30 days as at 31st March, 2006.

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 G.P. AGRAWAL & CO.
Chartered Accountants



Sunita Saraf
Membership No. 60162
Partner

7A, Kiran Shankar Ray Road
Kolkata – 700 001

Date: The 29th day of July, 2006

A. ENERGY CONSERVATION MEASURES

- a) The following energy conservation measures are taken on continuing basis :-
1. Regular preventive maintenance of all capital goods and equipments for enhancing productivity and efficiency resulting in energy saving.
 2. Improvement of electrical power load factor.
 3. Systematic Study of power consumption of various machines.
 4. Optimise the use of energy through improved operational method.
- b) Additional investments and proposals being implemented for reduction of consumption of energy.
- No major specific investment proposals are envisaged. The company is however, carrying on continuous education and awareness programs for its employees for energy conservation.
- c) Impact of measures undertaken under (a) and (b) above for reduction of energy consumption and its consequent impact on cost of production.
- The Company is not a major user of energy. However, the measures taken by the company will result in saving of energy.

B. TECHNOLOGY ABSORPTION

The Company has no separate R & D section. The Company is however, developing new products and upgrading existing products to meet the changing market taste / profile.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports; initiatives taken to increase exports :
- The Company developed number of products as per the requirement and satisfaction of foreign customer. The efforts are made by the Company to develop new foreign buyers in addition to sustaining existing customers. The Company regularly participates in international fairs / exhibitions in USA and Germany.
- b) Total Foreign Exchange used and earned :
- The foreign exchange used and earned during the year by the Company are as under :
- Foreign Exchange Used – Rs.2182.80 Lacs
Foreign Exchange Earned – Rs.2014.56 Lacs

AUDITORS' REPORT**TO THE MEMBERS OF
LINC PEN AND PLASTICS LIMITED**

We have audited the attached Balance Sheet of LINC PEN AND PLASTICS LIMITED as at 31st March, 2006 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date (in which are incorporated the accounts of Company's branches at Goa 2, Goa 3 and Pilerne audited by other Auditors), all of which we have signed under reference to this report. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with 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.

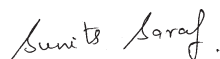
As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors' Reports have been forwarded to us and have been appropriately dealt with in this report;
- iii) The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the Books of account and with the audited returns from the branches;
- iv) In our opinion, the Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;

- v) On the basis of written representations received from such directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - in the case of the Profit and Loss Account, of the PROFIT for the year ended on that date: and
 - in the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date.

For G.P. AGRAWAL & CO.
Chartered Accountants



Sunita Saraf
Partner

Membership No. 60162

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Auditor's Report to the members of LINC PEN AND PLASTICS LIMITED for the year ended 31st March, 2006:

- The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - The fixed assets have been physically verified during the year by the management. To the best of our knowledge, no material discrepancies were noticed on such verification.
 - The Company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.
- The inventories have been physically verified during the year by the management at reasonable intervals. In respect of inventories lying with third parties, confirmation has been obtained from them.
 - In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - On the basis of our examination, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification of inventories by the management as compared to book records were not material and these have been properly dealt with in the books of account.
- 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 Act.
 - As the Company has not granted any loans, secured or unsecured, to companies, firm or other parties covered in the register maintained under section 301 of the Act, the provisions of para (iii)(b) to (iii)(d) of the paragraph 4 of the said order are not applicable to the company.
 - The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
 - As the Company has not taken any loans, secured or unsecured, from companies, firm or other parties covered in the register maintained under section 301 of the Act, the provisions of para (iii)(f) to (iii)(g) of the paragraph 4 of the said order are not applicable to the company.
- In our opinion and according to the information and explanations given to us, there is adequate internal control system, commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in internal control system.

- v) a) In our opinion and according to the information and explanations given to us, particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanation given to us, these transactions made in pursuance of such contracts have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposit within the meaning of section 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder.
- vii) In our opinion, the internal audit system of the company is commensurate with the size of the company and the nature of its business.
- viii) The provision regarding maintenance of cost records is not applicable to the Company.
- ix) a) According to the records, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Service Tax, Sales Tax, Custom Duty, Cess and other statutory dues with appropriate authorities. As explained to us the provisions of Wealth Tax and Excise Duty are not applicable to the company. According to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31st March, 2006 for a period of more than six months from the date of becoming payable.
- b) As explained to us and according to the records of the company, the following dues have not been deposited on account of dispute :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which The amount Relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	7,34,428	A.Y. 2003-04	Commissioner of Income Tax (Appeals).

- x) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi) The Company has not defaulted in payment of dues to a bank. The Company has no dues of financial institution or debenture holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to this Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. However, the investments made by the Company in Government securities have been held in its own name.

- xv) According to the records of the Company and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) On the basis of our examination and according to the information and explanation given to us, the term loans have been applied for the purpose for which the loans were obtained.
- xvii) According to the records of the Company and according to the information and explanation given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix) The company has not issued any debenture.
- xx) The company has not raised any money during the year by public issue.
- xxi) In our opinion and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year that causes the financial statements materially misstated.

For G.P. AGRAWAL & CO.
Chartered Accountants

Sunita Saraf

Sunita Saraf
Partner

Membership No. 60162

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

BALANCE SHEET

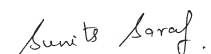
(Amount in Rupees)

As at 31st March,	Schedule No.	2006	2005
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	80,003,000	80,003,000
b) Reserves & Surplus	2	186,322,099	165,030,956
		<u>266,325,099</u>	<u>245,033,956</u>
2. Loan Funds	3		
a) Secured Loans		227,335,930	179,473,192
b) Unsecured Loans		40,314,366	30,583,435
		<u>267,650,296</u>	<u>210,056,627</u>
3. Deferred Tax Liability (Net)	4	9,106,376	8,981,009
Total		<u>543,081,771</u>	<u>464,071,592</u>
II APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		241,376,701	205,814,807
b) Less: Depreciation		106,354,971	80,411,159
c) Net Block		135,021,730	125,403,648
d) Capital Work In Progress		12,576,756	9,717,139
		<u>147,598,486</u>	<u>135,120,787</u>
2. Investments	6	15,000	15,000
3. Current Assets, Loans and Advances			
a) Inventories	7	365,281,366	304,779,784
b) Sundry Debtors	8	143,400,074	128,513,503
c) Cash & Bank Balances	9	14,216,707	17,446,590
d) Loans & Advances	10	26,171,779	16,833,355
		<u>549,069,926</u>	<u>467,573,232</u>
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	142,654,831	120,382,129
b) Provisions	12	10,946,810	18,255,298
		<u>153,601,641</u>	<u>138,637,427</u>
Net Current Assets		395,468,285	328,935,805
Total		<u>543,081,771</u>	<u>464,071,592</u>

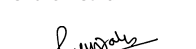
Significant Accounting Policies and Notes on Accounts 20

Schedules 1 to 12 and 20 referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date.

For G. P. Agrawal & Co.
Chartered AccountantsSunita Saraf
Partner
Membership No.601627A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

For and on behalf of the Board


Deepak Jalan
Managing Director
Prakash Jalan
Whole Time Director
N. K. Dujari
G.M.- Finance &
Company Secretary

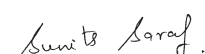
PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

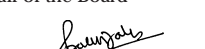
For the year ended 31st March,	Schedule No.	2006	2005
INCOME			
Sales	13	1,341,731,805	1,218,319,389
Other Operational Income	14	16,382,261	16,727,213
Other Income	15	1,853,298	1,745,550
Increase / (Decrease) In Stocks	16	11,876,720	53,451,829
		<u>1,371,844,084</u>	<u>1,290,243,981</u>
EXPENDITURE			
Raw Materials & Components Consumed	17	657,122,950	538,436,074
Purchases of Trading Goods		201,737,022	320,909,652
Manufacturing, Administrative, Selling & General Expenses	18	430,309,924	339,066,694
Interest	19	17,990,259	12,305,644
Depreciation		27,548,864	22,353,036
		<u>1,334,709,019</u>	<u>1,233,071,100</u>
Profit Before Taxation		37,135,065	57,172,881
Provision For Taxation			
- Current Tax		3,800,000	9,600,000
- Fringe Benefit tax		971,745	-
- Deferred Tax		125,367	304,720
Profit After Taxation		32,237,953	47,268,161
Balance Brought Forward		15,336,956	23,576,777
Profit Available for Appropriation		<u>47,574,909</u>	<u>70,844,938</u>
APPROPRIATIONS			
General Reserve		20,000,000	40,000,000
Proposed Dividend		9,600,360	13,600,510
Tax on Proposed Dividend		1,346,450	1,907,472
Balance Carried to Balance Sheet		16,628,099	15,336,956
		<u>47,574,909</u>	<u>70,844,938</u>
Significant Accounting Policies and Notes on Accounts 20			
Earning Per Share - Basic & Diluted			
(Face Value Rs.10/- each)		4.03	5.91
(Refer Note 7 of Schedule - 20)			

Schedules 13 to 20 referred to above form an integral part of the Profit & Loss Account

This is the Profit & Loss Account referred to in our report of even date.

For G. P. Agrawal & Co.
Chartered AccountantsSunita Saraf
Partner
Membership No.601627A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

For and on behalf of the Board


Deepak Jalan
Managing Director
Prakash Jalan
Whole Time Director
N. K. Dujari
G.M.- Finance &
Company Secretary

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

As at 31st March,	2006	2005
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
10,000,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
Issued, Subscribed and Paid up		
8,000,300 Equity Shares of Rs.10/- each fully Paid up in Cash	80,003,000	80,003,000
SCHEDULE - 2		
RESERVES & SURPLUS		
General Reserve		
As per last account	120,000,000	80,000,000
Add : Transfer from		
Profit & Loss Account	20,000,000	40,000,000
Securities Premium Account		120,000,000
As per last account	29,694,000	29,694,000
Profit & Loss Account		
Surplus as per Profit & Loss Account	16,628,099	15,336,956
	186,322,099	165,030,956
SCHEDULE - 3		
LOAN FUNDS		
Secured Loans		
From Scheduled Banks *		
Term Loan	6,758,197	7,885,694
Short Term Loan	30,000,000	77,500,000
Packing Credit	76,303,619	55,992,005
Cash Credit	79,748,388	35,569,653
Foreign Currency Loan	32,600,322	—
*Secured by hypothecation of Plant & Machinery, Moulds & Current Assets of the Company and first charge by way of Equitable Mortgage of Immovable Properties and Other Fixed Assets of the Company and also guaranteed by Managing Director, Whole Time Director and associate concerns of the Company.		
From Others		
Secured against hypothecation of Cars	1,925,404	2,525,840
	227,335,930 **	179,473,192
** Includes term Loan repayable within one year Rs.10,866,930/- (Rs.9,314,314/-)		
Unsecured Loans		
Trade Deposits*	40,314,366	30,583,435
*Includes Interest Accrued and due		
Rs.1,579,502/- (Rs.1,169,976/-)	40,314,366	30,583,435
SCHEDULE - 4		
DEFERRED TAX LIABILITY		
Tax effect of timing differences on account of:		
Difference between book and tax depreciation	9,519,384	9,130,520
Less: Expenses allowable for tax purpose on payment basis.	413,008	149,511
Deferred Tax Liability (Net)	9,106,376	8,981,009

SCHEDULES TO THE BALANCE SHEET

SCHEDULE — 5

FIXED ASSETS

(Amount in Rupees)

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 1st April 2005	Additions During the Year	Deductions During the Year	As at 31st March 2006	Up to 31st March 2005	For the Year	Deductions/ Adjustments during the year	Up to 31st March 2006	As at 31st March 2006	As at 31st March 2005
Freehold Land	3,985,652	2,442,095	—	6,427,747	—	—	—	—	6,427,747	3,985,652
Buildings	14,489,972	158,679	—	14,648,651	2,172,000	414,555	—	2,586,555	12,062,096	12,317,972
Plant & Machinery	33,463,303	4,745,470	—	38,208,773	16,189,649	3,636,941	—	19,826,590	18,382,183	17,273,654
Other Equipments	140,325,833	27,792,823	2,948,653	165,170,003	59,236,911	22,243,770	1,605,052	79,875,629	85,294,374	81,088,922
Furniture & Fixtures	6,471,857	762,831	—	7,234,688	1,760,178	427,607	—	2,187,785	5,046,903	4,711,679
Vehicles	7,078,190	2,608,649	—	9,686,839	1,052,421	825,991	—	1,878,412	7,808,427	6,025,769
Total	205,814,807	38,510,547	2,948,653	241,376,701	80,411,159	27,548,864	1,605,052	106,354,971	135,021,730	125,403,648
Previous Year Figures	164,558,526	42,730,687	1,474,406	205,814,807	58,711,317	22,353,036	653,194	80,411,159	125,403,648	—

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

As at 31st March,	2006	2005
SCHEDULE - 6		
INVESTMENTS - LONG TERM (AT COST)		
Other than Trade - Unquoted		
National Savings Certificate	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

SCHEDULE - 7

INVENTORIES *

(As taken, valued and certified by the management)

Raw Materials & Components	230,411,183	181,791,024
Finished Goods	64,048,907	58,585,464
Trading Goods	59,341,824	58,637,994
Work in Process	11,444,100	5,734,653
Scrap	35,352	30,649
	<u>365,281,366</u>	<u>304,779,784</u>

* Includes Materials lying with third parties

SCHEDULE - 8

SUNDRY DEBTORS

(Unsecured, considered good)

Debts outstanding for a period exceeding six months	3,694,993	2,673,000
Other Debts	139,705,081	125,840,503
	<u>143,400,074</u>	<u>128,513,503</u>

SCHEDULE - 9

CASH & BANK BALANCES

Cash in hand (As certified)	763,228	634,661
Balances with Scheduled Banks in:		
Current Accounts	187,991	183,044
Unpaid Dividend Accounts	564,755	406,339
Fixed Deposit Account*	12,700,733	16,222,546
	<u>13,453,479</u>	<u>16,811,929</u>
	<u>14,216,707</u>	<u>17,446,590</u>

*(Lodged with Bank as Margin Money)

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

As at 31st March,	2006	2005
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	16,197,974	8,304,856
Advance Tax&Tax Deducted at Source (Net of Provision)	2,503,734	—
Export Benefits Receivable	4,421,444	5,828,679
Security Deposits	3,048,627	2,699,820
	<u>26,171,779</u>	<u>16,833,355</u>

SCHEDULE - 11

CURRENT LIABILITIES

Sundry Creditors		
– Small Scale Industrial Undertakings (Refer Note no.5 of Notes on Accounts)	38,866,766	54,795,121
– Others	101,772,858	63,012,082
Investor Education and Protection Fund		
Unclaimed Dividend (Due for less than Seven Years)	564,755	406,339
Advances against Sale of Assets	1,058,500	—
Advances from Customers	391,952	2,168,587
	<u>142,654,831</u>	<u>120,382,129</u>

SCHEDULE - 12

PROVISIONS

Provision for Tax (Net of Advance Tax & TDS)	—	2,747,316
Proposed Dividend	9,600,360	13,600,510
Tax on Proposed Dividend	1,346,450	1,907,472
	<u>10,946,810</u>	<u>18,255,298</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Amount in Rupees)

For the year ended 31st March,	2006	2005
SCHEDULE - 13		
SALES		
Domestic	1,137,498,293	1,068,245,230
Exports	204,233,512	150,074,159
	<u>1,341,731,805</u>	<u>1,218,319,389</u>
SCHEDULE - 14		
OTHER OPERATIONAL INCOME		
Export Benefits Received	13,225,410	15,484,154
Sales Tax Rebate Received	1,705,209	—
Gain on Exchange Fluctuation (Net)	1,451,642	1,243,059
	<u>16,382,261</u>	<u>16,727,213</u>
SCHEDULE - 15		
OTHER INCOME		
Interest Received (Gross)*	1,058,924	1,321,623
Insurance Claim	118,218	315,673
Profit on Sale of Fixed Assets (Net)	256,044	—
Miscellaneous Income	420,112	108,254
	<u>1,853,298</u>	<u>1,745,550</u>
* Includes Tax Deducted At Source Rs.155,931/- (Rs.269,121/-)		
SCHEDULE - 16		
INCREASE / (DECREASE) IN STOCKS		
Closing stock		
Finished Goods	64,048,907	58,585,464
Trading Goods	59,341,824	58,637,994
Work in Progress	11,444,100	5,734,653
	<u>134,834,831</u>	<u>122,958,111</u>
Less: Opening stock		
Finished Goods	58,585,464	39,949,529
Trading Goods	58,637,994	22,276,903
Work in Progress	5,734,653	7,279,850
	<u>122,958,111</u>	<u>69,506,282</u>
Increase / (Decrease) in Stock	<u>11,876,720</u>	<u>53,451,829</u>
SCHEDULE - 17		
RAW MATERIALS & COMPONENTS CONSUMED		
Opening Stock of Raw Materials	181,821,673	150,434,068
Less: Vat Credit on Opening Stock	579,389	—
	<u>181,242,284</u>	<u>150,434,068</u>
Add: Purchases during the year	706,327,202	569,823,679
	<u>887,569,486</u>	<u>720,257,747</u>
Less: Closing Stock of Raw Materials	230,446,536	181,821,673
	<u>657,122,950</u>	<u>538,436,074</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Amount in Rupees)

For the year ended 31st March,	2006	2005
SCHEDULE - 18		
MANUFACTURING, ADMINISTRATIVE, SELLING & GENERAL EXPENSES		
Stores and Spare Parts Consumed	4,162,931	2,123,243
Power & Fuel	6,817,363	8,057,032
Processing Charges	146,482,317	104,759,102
Rent	4,577,234	4,063,525
Repairs & Maintenance		
Machinery	2,374,078	3,435,563
Building	304,967	899,106
Others	1,815,262	1,447,605
	<u>4,494,307</u>	<u>5,782,274</u>
Other Manufacturing Expenses	1,540,361	704,103
Payments to and Provisions for Employees		
Salaries, Wages, Bonus & Allowances	36,206,484	26,395,691
Contribution to Provident and Other Funds	4,024,086	2,592,169
Workmen and Staff Welfare & Training Expenses		
	<u>3,032,729</u>	<u>43,263,299</u>
	<u>2,113,334</u>	<u>31,101,194</u>
Auditors Remuneration	248,378	238,291
Miscellaneous Expenses	14,445,476	12,144,467
Insurance Charges	4,364,366	3,472,663
Rates & Taxes	521,985	793,535
Directors' Sitting Fees	112,250	92,250
Travelling & Conveyance	7,834,292	11,553,569
Postage, Telegram & Telephone	3,255,511	3,189,867
Freight & Transportation	24,921,762	22,760,659
Advertisement Expenses	54,273,482	34,218,791
Sales Promotion Expenses	1,764,311	35,313,134
Incentives on Sales	60,989,829	22,467,034
Commission on Sales	2,930,639	623,329
Discount Allowed	24,401,018	23,510,990
Rebate & Claim	9,745,720	5,040,492
Bad Debts	—	53,222
Other Selling & Distribution Expenses	9,163,093	6,423,402
Loss on Sale of Fixed Assets	—	364,112
Miscellaneous Expenditure Written Off	—	216,414
	<u>430,309,924</u>	<u>339,066,694</u>
SCHEDULE - 19		
INTEREST		
To Bank	14,228,308	10,139,890
To Others	3,761,951	2,165,754
	<u>17,990,259</u>	<u>12,305,644</u>

SCHEDULE TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE – 20 :

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

- a) The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the generally accepted accounting principles in India and provisions of the Companies Act, 1956.
- b) Insurance and other claims/refunds are accounted for on actual receipt/acceptance basis, due to uncertainty in realization.

2. Revenue Recognition

- a) Revenue from Sale of Goods is recognized upon passage of title to the customers.
- b) Sales is exclusive of Sales Tax, rebate etc.
- c) All other income are accounted for on accrual basis.

3. Expenses:

All the expenses are accounted for on accrual basis.

4. Fixed Assets

- a) All fixed assets are stated at cost of acquisition inclusive of duties, taxes, incidental expenses, erection/ commissioning expenses and interest etc. up to date the asset is ready for intended use.
- b) Depreciation on Fixed Assets is provided on straight-line method at the rates specified in Schedule XIV to The Companies Act, 1956 (as amended).
- c) Depreciation on fixed assets added/ disposed off during the year is provided on pro-rata basis with reference to the date of addition/ disposal.

5. Foreign currency transactions

- a) Transactions in foreign currency are initially recorded at the exchange rate at which the transaction is carried out.
- b) Monetary assets and liabilities related to foreign currency transactions remaining outstanding at the year end are translated at the year end rate. The effect of exchange rate fluctuation in respect of fixed assets is adjusted with the cost of the respective assets, whereas in respect of monetary assets and liabilities, the same are taken to Profit & Loss Account.
- c) Forward exchange contract entered into for hedging purpose are accounted for separately from the underlying transactions. The premium/ discount on forward exchange contract is amortised over the period of respective contracts. Exchange differences on such contracts at the year end / upon termination are taken to Profit & Loss Account.

6. Investments

Investments are stated at cost. Provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

SCHEDULE – 20 (Contd.)

7. Inventories:

Inventories are valued at lower of cost and net realisable value. The basis for determination of cost of various categories of inventory is as follows:

Raw Material and Components : FIFO

Finished Goods : Material cost plus an appropriate share of labour and manufacturing overheads wherever applicable.

Work in Process : Material cost plus an appropriate share of labour and manufacturing overheads wherever applicable.

Scrap : At Net Realisable Value.

8. Retirement benefits:

- a) Company's contribution to Provident Fund and Pension Fund are charged to Profit & Loss Account.
- b) The Company has created an approved gratuity fund which has taken a group gratuity insurance policy with Life Insurance Corporation of India (LIC), for future payment of gratuity to the employees. The Company accounts for gratuity liability on the basis of actuarial valuation / premium amount demanded as per calculation made by LIC at the year end.
- c) Leave encashment benefit is accounted for on the basis of actuarial valuation done as at the year end.

9. Taxes on Income

Tax expense comprises both current and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred income tax reflects 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 the tax laws enacted or substantially enacted at the Balance Sheet date. Deferred tax assets (including unrecognized deferred tax assets of earlier years) are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalized for the period until the asset is ready for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred. No borrowing costs were eligible for capitalisation during the year.

11. Impairment of Assets

Impairment losses, if any, are recognized in accordance with the accounting standard issued in this regard by the Institute of Chartered Accountants of India.

12. Provisions, Contingent liabilities and Contingent Assets

- a) Provisions are recognized in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable.
- b) Contingent Liabilities are shown by way of Notes to the Accounts in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered not probable.
- c) Contingent Assets are not recognized in the Accounts.

SCHEDULE – 20 (Contd.)

B. NOTES ON ACCOUNT (Amount in Rupees)

As on 31st March	2006	2005
1. a) Estimated amount of contracts remaining to be executed for Capital Expenditure and not provided for	8,478,097	5,652,202
b) Advance paid against above	3,584,123	2,734,924
2. i) Contingent Liabilities Not Provided for :		
a) Bank Guarantees issued in favour of The President of India and others* *Fixed Deposit lodged as Margin Money against the above	25,672,888	26,630,888
b) Income Tax demands under appeal	11,258,733	12,492,691
c) Bills Discounted from Bank	734,428	343,148
ii) The Contingent Liabilities referred to in (i) above depends upon non discharge of export obligation/outcome of appeal etc.	2,612,509	7,510,046
iii) No reimbursement is expected in respect of contingent liabilities shown in (i) above.		

3. Managerial Remuneration

Computation of Net Profit for the purpose of calculating Directors' remuneration for the year 2005-06

For the year	2005-06	2004-05
Profit Before Tax (as per profit & loss account)	37,135,065	57,172,881
Add: Directors' Sitting Fees	112,250	92,550
Directors' Remuneration	4,581,541	2,660,887
Bad Debts written off	—	53,222
Loss on sale of fixed assets	—	364,112
	<u>41,828,856</u>	<u>60,343,352</u>
Less: Profit on sale of fixed assets	256,044	—
Net Profit for the purpose of Directors' remuneration (As per Section 349 of the Companies Act, 1956)	<u>41,572,812</u>	<u>60,343,352</u>
Commission Payable to Non Executive Directors		
@ 1% of Net Profit	415,728	—
Restricted to	410,000	—
Remuneration paid to Managing, Whole Time and Non Executive Directors:		
Salary	3,728,741	2,337,500
Commission	410,000	—
Other Benefits	442,800*	323,387*
Total	<u>4,581,541</u>	<u>2,660,887</u>

The total remuneration as above is within the maximum permissible limit under the Act.

* Excluding taxable value of perquisites Rs.Nil (Rs.61,600/-).

SCHEDULE – 20 (Contd.)

For the year	2005-06	2004-05
4. a) Statutory Auditors' Remuneration		
Audit Fees	112,240	110,200
Tax Audit Fees	50,508	49,590
Other Matters	54,549	49,260
Out of Pocket Expenses	1,895	2,021
	<u>219,192</u>	<u>211,071</u>
b) Branch Auditors' Remuneration		
Audit Fees	23,574	21,776
Tax Audit Fees	5,612	5,444
	<u>29,186</u>	<u>27,220</u>
Total (a+ b)	<u>248,378</u>	<u>238,291</u>
5. Sundry Creditors		
Names of Small Scale Industries against whom amounts outstanding for more than 30 days as at the end of the year, (to the extent such parties have been identified from available information) (within terms of payment) :		
(1) Excellent Moulders (Unit-II). (2) Linc Writing Aids Pvt. Ltd. (3) R.R.Industries (4) Wonder pack (India) (5) Ostern Pvt. Ltd (6) Sigma Inc. (7) Micro Wood Pvt. Ltd. (8) Utility Inks Pvt. Ltd. (9) Green Fingers (India) Pvt. Ltd. (10) Mudrika Labels Pvt. Ltd.		
6. Segment reporting		
The business of the company falls under a single segment i.e. "Writing Instruments and Stationeries". In view of the general clarification issued by the Institute of Chartered Accountants of India for Companies operating in single segment, the disclosure requirement as per Accounting Standard 17 "Segment Reporting" are not applicable to the Company.		
7. Earnings Per Share:	<u>2005-06</u>	<u>2004-05</u>
The numerator and denominator used to calculate Basic / Diluted Earnings Per Share		
a) Amount used as the numerator – Profit after Tax (Rs.)	32,237,953	47,268,161
b) Basic / Diluted weighted average number of Equity Shares used as the denominator	8,000,300	8,000,300
c) Nominal value of Equity Shares (Rs.)	10	10
d) Basic / Diluted Earnings Per Share (a/b) (Rs.)	4.03	5.91

SCHEDULE – 20 (Contd.)

8. Related Party transactions:

Related party disclosure as per Accounting Standard 18 for the year ended 31st March 2006 are given below:

i) Details of transactions with related parties. (Amount in Rs.)

Description	Associates (A)	Key Managerial Personnel (KMP)	Other Related Parties (ORP)	Relatives of KMP (R)	Total
Purchase	1,109,490 (899,792)	—	23,713,638 (42,346,454)	—	24,823,128 (43,246,246)
Sale of Goods	7,685,397 (5,468,415)	—	175,857,201 (164,213,278)	—	183,542,598 (169,681,693)
Purchase of Fixed Assets	—	—	101,500 (200,000)	—	101,500 (200,000)
Sale of Fixed Assets	—	—	—	—	—
	—	—	(96,045)	—	(96,045)
Advance Received	—	—	800,000	—	800,000
Loan Taken	—	—	41,500,000	—	41,500,000
Loan Repaid	—	—	41,500,000	—	41,500,000
Interest Paid	—	—	470,803	—	470,803
Receiving of Services	180,000 (120,000)	3,834,000 (2,481,500)	1,949,700 (1,869,000)	114,000 (114,000)	6,077,700 (4,584,500)
Outstanding Receivable	759,416 (239,961)	—	10,407,355 (4,600,856)	—	11,166,771 (4,840,817)

ii) Names and description of relationship of related parties and outstanding as on 31st March 2006:

Related Party	Relationship	Balance as on 31.03.2006
Associates;		Rs.
Shree Writing Aids Pvt. Ltd.	Associates	Dr. 759,416
Key Managerial Personnel;		
Deepak Jalan	Managing Director	—
Prakash Jalan	Whole Time Director	—
Aloke Jalan	Whole Time Director	—
Other Related Parties		
S.M.Pen & Plastic Industries Radhika Writing Instruments	Proprietorship Concerns owned by Sri S.M.Jalan father of M.D. and W.T.D.	Dr. 326,768
Linc Marketing Services (Goa) Linc Engineering S.M.Homes	Proprietorship Concerns owned by Smt. Bindu Jalan wife of W.T.D.	Cr. 800,000
Linc Writing Aids Pvt. Ltd.	Substantial interest of the relatives of M.D. and W.T.D.	Dr. 10,089,871
Relatives;		
Deepak Jalan (HUF)	Sri Deepak Jalan, M.D. is the Karta of HUF	—

SCHEDULE – 20 (Contd.)

iii) There is no provision for doubtful debts and no amount has been written off / back during the year in respect of amount due from or due to related parties

iv) The significant transactions during the year with related parties are as under:

Nature of Transactions	Related Party	Amount in Rs.
Purchase of Goods	S.M.Pen & Plastic Industries (ORP) Radhika Writing Instruments (ORP)	2,136,485 21,569,690
Purchase of Assets	Linc Writing Aids Pvt. Ltd. (ORP)	101,500
Receiving of Services	Linc Writing Aids Pvt. Ltd. (ORP)	1,488,000
Sale of Goods	Linc Writing Aids Pvt. Ltd. (ORP)	174,682,752
Loan Taken	Linc Writing Aids Pvt. Ltd. (ORP)	41,500,000
Loan Repayment	Linc Writing Aids Pvt. Ltd. (ORP)	41,500,000
Interest Paid	Linc Writing Aids Pvt. Ltd. (ORP)	470,803
Advance Received	S. M. Homes (ORP)	800,000
Remuneration	Deepak Jalan (KMP) Prakash Jalan (KMP) Aloke Jalan (KMP)	1,479,000 1,257,000 963,000

9. Additional Information Pursuant to paragraph 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956

a) Licenced & Installed Capacities and Actual Production for the year.

(Quantity in Lacs)

Class of Products	Unit	Installed Capacity	Actual Production
Pens/ Pencils & Plastics Components	Pcs.	*	4101.922 (3582.039)
Refills	Pcs.	*	5975.250 (5058.550)

* The company's products are non standardised and are of various shapes & sizes, hence there is no proper measure to assess and indicate the same.

Note: i. No specific licence is required for the manufacture of products mentioned above.
ii. Production includes products manufactured on job basis.

b) Opening & Closing Stock of Finished Goods Produced for Sale Amount (Rs.)

Sl. No.	Description	Unit	Opening Stock		Closing Stock		Sales	
			Quantity	Amount	Quantity	Amount	Quantity	Amount
I)	Pens	Pcs.	27,670,944 (15,914,517)	42,619,944 (21,433,615)	36,703,619 (27,670,944)	49,760,538 (42,619,944)	400,866,837 (345,186,859)	822,521,593 (635,547,992)
II)	Refills	Pcs.	24,554,603 (26,355,719)	15,759,281 (18,173,679)	23,543,435 (24,554,603)	13,971,031 (15,759,281)	282,132,703 (244,659,917)	219,508,697 (211,614,904)
III)	Pencils	Pcs.	16,053 (45,235)	15,231 (59,621)	20,453 (16,053)	26,808 (15,231)	288,251 (1,289,809)	707,760 (3,145,304)
IV)	Others	—	—	191,008 282,614	—	290,530 (191,008)	—	31,100,160 (15,023,125)
Total				58,585,464		64,048,907		1,073,838,210
Total (Previous Year)				(39,949,529)		(58,585,464)		(865,331,325)

SCHEDULE – 20 (Contd.)

c) Opening and Closing Stock of Goods Traded in

Sl. No.	Description	Unit	Amount (Rs.)							
			Opening Stock		Purchases		Sales		Closing Stock	
			Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
I)	Pens	Pcs.	9,382,429 (3,868,263)	39,770,381 (15,631,292)	29,328,341 (92,092,976)	116,413,687 (223,836,456)	33,316,199 (86,578,810)	156,556,610 (255,544,643)	5,394,571 (9,382,429)	42,470,624 (39,770,381)
II)	Refills	Pcs.	2,631,814 (587,503)	4,112,792 (786,975)	5,830,454 (12,729,424)	14,520,499 (8,227,422)	7,231,047 (10,685,113)	18,696,488 (9,546,395)	1,231,220 (2,631,814)	2,952,046 (4,112,792)
III)	Pencils	Pcs.	5,502,108 (204,713)	5,786,390 (663,316)	34,706,748 (24,368,148)	43,162,366 (25,972,527)	36,007,343 (19,070,753)	50,155,390 (28,626,076)	4,201,512 (5,502,108)	5,957,492 (5,786,390)
IV)	Others	—	—	8,968,431 (5,195,320)	—	27,640,470 (62,873,247)	—	42,485,107 (59,270,950)	—	7,961,662 (8,968,431)
	Total			58,637,994		201,737,022		267,893,595		59,341,824
	Total (Previous Year)			(22,276,903)		(320,909,652)		(352,988,064)		(58,637,994)

d) Raw Materials Consumed

Sl. No.	Items	Unit	Quantity	Amount Rs.
I)	Plastic Powder	Kgs.	2,528,075 (1,889,024)	160,064,106 (135,948,689)
II)	Ink	Kgs.	208,206 (163,404)	54,683,033 (52,760,088)
III)	Tips	Pcs.	617,271,752 (493,924,687)	142,679,698 (134,396,054)
IV)	Components for Pen / Ball Pen/ Pencils	Pcs.	711,250,276 (400,624,734)	231,305,132 (136,218,790)
V)	Others	—	—	68,390,981 (79,112,453)
	Total			657,122,950
	Total (Previous Year)			(538,436,074)

e) Value of Raw Materials Consumed

Particulars	Amount Rs.	Percentage
Imported	118,873,542 (97,691,674)	18.09% (18.14%)
Indigenous	538,249,408 (440,744,400)	81.91% (81.86%)
Total	657,122,950	100.00%
Total (Previous Year)	(538,436,074)	(100.00%)

SCHEDULE – 20 (Contd.)

f) Value of Stores & Spares Consumed

Particulars	Amount Rs.	Percentage
Imported	975,950 (1,322,131)	23.44% (62.27%)
Indigenous	3,186,981 (801,112)	76.56% (37.73%)
Total	4,162,931	100%
Total (Previous Year)	(2,123,243)	(100%)

	2005-06 Rs.	2004-05 Rs.
g) CIF Value of Imports		
Raw Materials, Components & Spares	100,573,347	82,005,929
Trading Goods	85,767,673	75,247,607
Capital Goods	27,128,800	25,596,042
h) Expenditure in Foreign Currency (On Payment Basis)		
I) Bank Interest & Commission	1,759,284	1,053,770
II) Travelling	1,345,238	1,334,232
III) Exhibition Expenses	667,736	671,021
IV) Commission on Exports	—	42,237
V) Product Designing & Testing Charges	912,163	176,398
VI) Staff Training Expenses	125,392	140,860
i) Earnings in Foreign Exchange (On Accrual Basis)		
Exports on FOB Basis	201,455,902	146,618,058

10. I) Figures in brackets represents figures for the previous years.

II) The previous year figures have been regrouped and rearranged wherever necessary.

SCHEDULE - 20 (Contd.)

11. Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956 :

1. Registration Details

Registration No. State Code
Balance Sheet Date

2. Capital raised during the year (Amount in Rs. '000s)

Public Issue
Right Issue
Bonus Issue
Private Placement

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000s)

Total Liabilities*
Total Assets

Sources of Funds

Paid-up Capital

Secured Loans

Other Liabilities

Application of Funds

Net Fixed Assets

Net Current Assets

Investments

Miscellaneous Expenditure

* (Excluding current liabilities & provisions of Rs. 153602 thousands)

4. Performance of Company (Amount in Rs. '000s)

Turnover & Other Income

+ - Profit/Loss Before Tax

Earning Per Share in Rs.

Total Expenditure

+ - Profit/Loss After Tax

Dividend rate (%)

5. Generic Name of three principle products of the Company (in monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

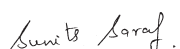
Product Description

Item Code No. (ITC Code)

Product Description


Signatories to Schedules 1 to 20 forming part of the Accounts.


For G. P. Agrawal & Co.
Chartered Accountants


Sunita Saraf
Partner
Membership No.60162

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

For and on behalf of the Board


Deepak Jalan
Managing Director


Prakash Jalan
Whole Time Director


N. K. Dujari
G.M.- Finance &
Company Secretary

CASH FLOW STATEMENT

(Amount in Rs.)

For the year ended 31st March,	2006	2005
A. Cash flow from operating activities :		
Net profit before tax	37,135,065	57,172,881
Adjustments for		
Depreciation	27,548,864	22,353,036
Miscellaneous Expenses Written Off	—	216,414
(Profit) / Loss On sale/ Discard of Fixed Assets	(256,044)	364,112
Interest Income	(1,058,924)	(1,321,623)
Unrealised loss/(gain) on foreign exchange fluctuation (Net)	11,262	(406,730)
Interest expense	17,990,259	44,235,417
Operating profit before working capital changes	81,370,482	90,683,734
(Increase) / Decrease in Trade and other receivables	(21,402,890)	(35,295,233)
(Increase) / Decrease in Inventories	(60,501,582)	(84,839,434)
Increase / (Decrease) in Trade Payables	22,260,644	(59,643,828)
Cash generated from operations	21,726,654	(5,393,077)
Less: Direct taxes paid	10,022,794	6,928,606
Net cash from operating activities	11,703,860	(12,321,683)
B. Cash flow from investing activities :		
Purchase of fixed assets	(41,370,162)	(40,777,847)
Fixed Deposit with Banks	3,521,813	(996,692)
Sale of fixed assets	1,599,643	457,100
Interest Received	741,350	(35,507,356)
Net cash from investing activities	(35,507,356)	(40,010,888)
C. Cash flow from financing activities :		
Proceeds (Repayment) of Long term borrowings	(1,127,497)	(9,140,000)
Proceeds from Other Borrowings	57,490,321	81,759,513
Interest Paid	(16,759,416)	(11,245,777)
Dividend Paid	(13,600,510)	(9,600,360)
Dividend Tax Paid	(1,907,472)	24,095,426
Net cash from financing activities	24,095,426	50,518,729
Net increase in cash and cash equivalents (A+ B+ C)	291,930	(1,813,842)
Cash and cash equivalents -Opening balance	1,224,044	3,037,886
Cash and cash equivalents - Closing balance	1,515,974	1,224,044

Notes :

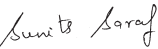
- The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Figures in bracket represent cash outflow.
- Cash and cash equivalent at the end of the year consist of :

	As at 31st	As at 31st
	March, 2006	March, 2005
	Rs.	Rs.

a) Cash in hand	763,228	634,661
b) Balance with Banks	752,746	589,383
	<u>1,515,974</u>	<u>1,224,044</u>


This is the Cash Flow Statement referred to in our report of even date.


For G. P. Agrawal & Co.
Chartered Accountants


Sunita Saraf
Partner
Membership No.60162

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of June 2006

For and on behalf of the Board


Deepak Jalan
Managing Director


Prakash Jalan
Whole Time Director


N. K. Dujari
G.M.- Finance &
Company Secretary

SPELLinc

WORD CRACKING

The winners for 2005

1st

Modern High School for Girls

Represented by
Laboni Sarkar
Sreeja Gupta
Sahana Srinivasan

2nd

St. Xavier's Collegiate School

Represented by
S. Aditya
Aruni Roychowdhury
Rishab Poddar

3rd

M. P. Birla Foundation HS School

Represented by
Abhay Dokania
Sushmit Mustafi
Sourya Pal



5 YEAR FINANCIAL HIGHLIGHTS

Rs. in Lacs

	2005-06	2004-05	2003-04	2002-03	2001-02
Source of Funds					
Share Capital	800.03	800.03	800.03	800.03	800.03
Reserves & Surplus	1863.22	1650.31	1332.71	1045.53	885.58
Networth	2663.25	2450.34	2132.74	1845.56	1685.61
Borrowings	2676.50	2100.57	1363.77	1560.62	1602.60
Funds Employed	5339.75	4550.91	3496.51	3406.18	3288.21
Operating Results					
Sales	13417.32	12183.19	8363.51	6194.57	5821.45
Exports	2042.34	1500.74	1017.51	784.32	401.49
P B I D T	826.74	918.32	729.77	532.25	543.38
Interest	179.90	123.06	103.69	123.16	172.26
Depreciation	275.49	223.53	178.09	153.68	144.64
Profit before tax	371.35	571.73	447.99	255.41	226.48
Profit after tax	322.38	472.68	392.93	217.60	180.84
EPS	4.03	5.91	4.91	2.72	2.26
Cash EPS	7.47	8.70	7.14	4.64	4.07
Networth per Share	33.29	30.63	26.66	23.07	21.07
Dividend *	12%	17%	12%	6%	5%

DIRECTORS' PROFILE

SHRI SOHAN LAL KOCHAR,

74, director, a postgraduate in commerce and LLB, is a leading advisor on Income Tax matters. He brings with him a wide experience to the Board. He has been a guiding force since the very inception of the Company.

SHRI PRAHLAD RAI AGARWALA,

68, director, a commerce and law graduate, he possesses vast experience in the manufacturing and marketing of fast moving consumer goods. He is the Chairman of Rupa & Co.Ltd., a well known inner and casual wear company.

SHRI NARESH PACHISIA,

43, director, a Certified Financial Planner (CFP) is the Promoter-Managing Director of SKP Securities Ltd, a leading wealth management services provider, comprising of mutual funds, stock broking, depository services, life insurance and financial planning services.

SHRI KEDAR NATH RANASARIA,

72, director, he is a post-graduate and brings with him more than four decades of experience in finance, manufacturing and other allied areas. He is also the Whole Time Director of Balrampur Chini Mills Limited, one of India's leading sugar companies.

DR. RANJAN DAS,

57, Director, is a Professor on Strategic & International Management at Indian Institute of Management, Calcutta. He has an impeccable record as a leading advisor in Strategic Planning and Management to several corporates.

SHRI ALOKE JALAN,

37, wholtime director, a commerce graduate with 15 years of experience in the business, he looks after the Company's marketing operations with special emphasis in the western region.

SHRI PRAKASH JALAN,

40, wholtime director, a commerce graduate with 18 years of experience in the business, he looks after the production of Kolkata and Goa plants as well as administrative function at the Goa units.

SHRI DEEPAK JALAN,

44, managing director, a commerce graduate with 20 years of experience in the business, he is responsible for the overall operations of the company with a specialisation in international operations.

सफ़ा रेलवे सुरक्षित सफ़र
रेलवे और गंदगी में छिड़ी है जंग
जनाव ! आप हैं किसके संग ।

Line



Likho
Chaka-chak !

JETSTREAM



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in the world

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Likho
Chaka-chak !



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SAFETY CONCEPT

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SAFETY CONCEPT

SAFETY CONCEPT

Line

SAFETY CONCEPT



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Champagne gold body

Grip Clip : Anti-loss technology

Curve towards tip for better writing