

directors' report

to the members

Your Directors have pleasure in presenting their Tenth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2004.

financial highlights

(Rs in Lacs)

	2003-04	2002-03
Sales & Other Operational Income	8529.61	6330.20
Other Income	25.01	22.52
Profit before depreciation, interest and taxation	729.77	532.25
Interest	103.69	123.16
Depreciation	178.09	153.68
Profit before Tax	447.99	255.41
Provision for Taxation		
Current	46.00	33.00
Deferred	9.06	4.81
Profit after Tax	392.93	217.60
Add: Credit Balance of the previous year	348.59	548.64
Income Tax for earlier years	2.80	(3.51)
Amount available for Appropriation	744.32	762.73
Transfer to General Reserve	400.00	360.00
Proposed Dividend	96.00	48.00
Corporate Tax on Dividend	12.55	6.15
Balance carried to Balance Sheet	235.77	348.59

dividend

Your Directors recommend a Dividend of 12% (previous year 6%) for the year ended 31st March, 2004.

financial performance

performance: During the year under review the Company's Sales (incl. Other Operational Income) increased by 34.7% to Rs 8529.61 Lacs as compared to Rs 6330.20 Lacs during the preceding year. The Profit after Tax during the year however increased by 80.6% to Rs 392.93 Lacs as compared to Rs 217.60 Lacs in the preceding year. The Company adopted aggressive marketing strategies. The

advertisement and promotional spendings were increased across all brands. In percentage terms these were 6.6% of the Sales in 2003-04 as compared to 5.9% in the preceding year.

loan cost: The Interest cost were down by 18.8% at 103.69 Lacs in 2003-04 from Rs 123.16 Lacs in 2002-03. The reduction was primarily on account of repayment of term loan. The Company paid all quarterly instalments well ahead of its due dates. The Interest/turnover was 1.2% and Interest Cover was 7.0 in 2003-04. This was 1.9% and 4.3 in 2002-03.

working capital: The year end Debtors comprise 11.5% (42 days) and the inventory consist of 26.3% (96 days) of the sales for the year. In the previous year the Debtors were 15.2% (55 Days) and Inventory 29.5% (108 Days) of the Sales. The Creditors were 61 days of purchase as compared to 50 days in the previous year.

fixed assets: The Company spent Rs 283.29 Lacs on acquisition of Fixed Assets. These were assets for the new unit at Corlim, Goa, as well as Moulds and Machineries for the existing plants at Serakole, West Bengal and Pilerne Goa. These were financed mainly out of internal accruals.

exchange fluctuation: The Company incurred an exchange fluctuation loss of Rs 13.44 Lacs (previous year Rs 40.63 Lacs). The Company's exports are in US Dollars, whereas imports are primarily in Japanese Yen and Euro, hence creating an adverse scenario for the Company, during the year.

new second production unit at goa

The Company commissioned a new second production unit in Goa at Corlim, during the year 2003-04. This unit is certified and approved factory by some of the world's leading retail chain of stores like M/s Wal-Mart Stores Inc. USA, & M/s Asda Stores UK. This unit mainly caters to the export market. The unit enjoys income tax benefits under Section 80 IB of Income Tax Act, 1961. The Company's first production unit in Goa is at Pilerne.

outlook

The continued aggressive marketing strategies adopted by the Company is expected to keep the growth momentum intact during the ensuing years. The Company started selling more than 1 Million Pens a day during last quarter of 2003-04. The Company plans to take this figure to about 1.5 Million Pens a day by the end of this financial year. The Company also plans to launch increased number of products during 2004-05.

financial highlights

Rs in Lacs

<i>Source of Funds</i>									
Share Capital	800.03	800.03	800.03	800.03	600.03	600.03	600.03	600.03	600.03
Reserves & Surplus	1332.71	1045.53	885.58	802.00	306.57	196.62	142.88	64.81	10.01
Networth	2132.74	1845.56	1685.61	1602.03	906.60	796.65	742.91	664.84	610.04
Borrowings	1363.77	1560.62	1602.60	1377.89	458.27	172.65	56.25	-	23.72
Funds Employed	3496.51	3406.18	3288.21	2979.92	1364.87	969.30	799.16	664.84	633.76
<i>Operating Results</i>									
Sales	8363.51	6194.57	5821.45	5147.90	2829.61	2185.34	1655.87	1151.22	355.11
Exports	1017.51	784.32	401.49	325.33	346.52	83.70	76.33	170.22	9.71
PBIDT	729.77	532.25	543.38	539.62	324.60	201.20	204.64	146.21	34.65
Interest	103.69	123.16	172.26	112.96	27.20	16.36	5.18	9.04	0.30
Depreciation	178.09	153.68	144.64	82.73	29.78	28.53	10.39	8.56	1.75
Profit Before Tax	447.99	255.41	226.48	343.93	267.62	156.31	189.07	128.61	32.60
Profit After Tax	392.93	217.60	180.84	288.93	193.62	134.81	144.07	107.61	28.60
Earning Per Share	4.91	2.72	2.26	3.61	3.23	2.25	2.40	1.79	0.48
Cash Earning Per Share	7.14	4.64	4.07	4.65	3.72	2.72	2.57	1.94	0.51
Book Value Per Share	26.66	23.07	21.07	20.02	15.11	13.28	12.38	11.08	10.17
Dividend	12%	6%	5%	12%	12%	12%	10%	8%	5%

The topline growth of the Company in the increasing competitive market will however intensify the pressure on the margins. The Company is keeping a close watch on the rising prices of polymers, one of the key raw material for writing instruments for its likely effect on the profitability of the Company.

The Company test-launched its first wooden pencil in the last week of March, 2004. The response was quite encouraging and the Company plans to gradually launch the same in the entire domestic and export markets. In the current financial year the Company plans to launch 4 to 6 brands of wooden pencils.

The Company's continuous efforts to increase the product basket has helped the Company to make its presence felt in all the leading product categories under Stationery. The product basket of the Company currently includes Ball Pen, Gel Pen, Roller Pen, Fountain Pen, Glitter Pen, Gumstic, Hi-lighter, Permanent Marker, Correction Pen, Eraser, Crayon, White Board Marker, Rulers, Geometry Box and Pencils including Wooden Pencil. With this the Company will be better placed to cope up with the challenges and to benefit from growth opportunities.

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, 2004 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 Management Discussion & Analysis and Corporate Governance is attached to this report as Annexure "A" and Annexure "B" along with Auditor's 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

Shri Alope Jalan was appointed as Additional Director and Whole Time Director of the Company with effect from 1st May, 2004. Dr Ranjan Das was appointed as an Additional Director of the Company on 30th July, 2004. They hold office upto the date of the ensuing Annual General Meeting. Notices have been received from members with required deposits proposing their appointment as the Directors of the Company.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Shri S L Kochar, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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

Place: Kolkata

Dated: 30th July, 2004

Deepak Jalan
Managing Director

Alope Jalan
Whole Time Director

annexure to the auditors report

Referred to the Auditor's Report to the members of LINC PEN AND PLASTICS LIMITED for the year ended 31st March, 2004

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - b) 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.
 - c) 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.
- ii) a) The inventories have been physically verified during the year by the management at reasonable intervals. As regards materials lying with third parties, the Company has obtained confirmation certificates from them.
 - b) 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.
 - c) 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.
- iii) a) The Company has not granted/taken any loan to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b) As the Company has not granted or taken any loan to/ from the companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956, the provisions of para (iii) (b) (c) and (d) of the order are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed

assets and also for the sale of goods. During the course of our audit, we have not observed any major weakness in internal controls.

- v) a) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements, that needs to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanation given to us, these transactions 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 and 58AA of the Companies Act, 1956 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, Sales Tax, Custom Duty, Excise Duty and other statutory dues with appropriate authorities. 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, 2004 for a period of more than six months from the date of becoming payable.
- b) According to the information and explanations given to us by the management, there are no disputed dues payable in respect of statutory dues as aforesaid.
- 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 not taken any loan from financial institutions and has not issued any Debenture.

- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other similar 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.
- xv) The Company has not given any guarantee for loans taken by others from bank or financial institution.
- xvi) On the basis of our examination and according to the information and explanation given to us, the Company has not taken any term loan during the year.
- xvii) On the basis of our examination and according to the information and explanation given to us, the funds raised on short-term basis have not been used for long-term investment and vice versa.
- xviii) The Company has not made any preferential allotment of shares.
- 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

Ajay Agrawal
Membership No 17643
Partner
7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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, 2004, 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 2004.

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

Ajay Agrawal
Membership No 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

balance sheet

(Amount in Rupees)

As at 31st March,	Schedule No.	2004	2003
I Sources of Funds			
1. Shareholders' Funds			
a) Share Capital	1	80,003,000	80,003,000
b) Reserves & Surplus	2	<u>133,270,777</u>	<u>104,552,671</u>
		<u>213,273,777</u>	<u>184,555,671</u>
2. Loan Funds			
a) Secured Loans	3	114,759,362	137,068,310
b) Unsecured Loans		<u>21,617,886</u>	<u>18,994,080</u>
		<u>136,377,248</u>	<u>156,062,390</u>
3. Deferred Tax Liability (Net)			
		8,676,289	7,769,870
Total		<u>358,327,314</u>	<u>348,387,931</u>
II Application of Funds			
1. Fixed Assets			
a) Gross Block	4	164,558,526	136,750,927
b) Less: Depreciation		<u>58,711,317</u>	<u>41,112,500</u>
c) Net Block		105,847,209	95,638,427
d) Capital Work In Progress		<u>11,669,979</u>	<u>5,116,948</u>
		<u>117,517,188</u>	<u>100,755,375</u>
2. Investments			
	5	15,000	15,000
3. Current Assets, Loans And Advances			
a) Inventories	6	219,940,350	182,671,651
b) Sundry Debtors	7	95,963,544	93,867,701
c) Cash & Bank Balances	8	18,263,740	15,660,980
d) Loans & Advances	9	<u>14,105,192</u>	<u>17,775,608</u>
		<u>348,272,826</u>	<u>309,975,940</u>
Less: Current Liabilities & Provisions			
a) Current Liabilities	10	96,763,186	57,407,009
b) Provisions	11	<u>10,930,928</u>	<u>5,415,203</u>
		<u>107,694,114</u>	<u>62,822,212</u>
Net Current Assets		240,578,712	247,153,728
4. Miscellaneous Expenditure			
(To the extent not written off/adjusted)	12	<u>216,414</u>	<u>463,828</u>
Total		<u>358,327,314</u>	<u>348,387,931</u>

Significant Accounting Policies and Notes on Accounts 19

Schedules 1 to 12 and 19 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 Accountants

For and on behalf of the Board

Ajay Agrawal
Membership No 17643
Partner

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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

balance sheet

(Amount in Rupees)

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

For **G. P. Agrawal & Co.**
Chartered Accountants

For and on behalf of the Board

Ajay Agrawal
Membership No 17643
Partner

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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

board of directors

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

company secretary

N K Dujari

registered office

Satyam Towers
3, Alipore Road, Kolkata 700027
Phone (033) 2479 0248/49/50
Fax (033) 2479 0253
e-mail: investors@lincpen.com
website: www.lincpen.com

works

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24 Pgns (S), Pin 743 513, West Bengal
Phone (033) 2420 4275/76
Fax (033) 2420 4441
e-mail: works@lincpen.com

88 Pilerne Industrial Estate
Pilerne, Bardez, Goa 403511
Phone (0832) 240 7226/27
e-mail: pilerne@lincpen.com

D3/6A, Corlim Industrial Estate
Corlim, Ilhas, Goa
Phone (0832) 228 4734
Fax (0832) 228 4222
e-mail: pagarwal@lincpen.com

goa branch office

New Horizon, Suite A2/2,
D B Marg, Miramar
Panaji 403001, Goa
Phone (0832) 246 5418/5644
Fax (0832) 246 5747
e-mail: lincgoa@lincpen.com

mumbai branch office

32F, Laxmi Industrial Estate,
New Link Road, Andheri (West)
Mumbai 400053
Phone (022) 5692 4255 / 4375
Fax (022) 5694 2963
e-mail: lincmumbai@lincpen.com

delhi branch office

A-51, Gujranwala Town
New Delhi 110009
Phone (011) 2745 6044
Fax (011) 2745 6058
e-mail: lincdelhi@lincpen.com

auditors

G. P. Agrawal & Co.
Chartered Accountants
7A, Kiran Sankar Roy Road
Kolkata 700001

bankers

State Bank of India
IDBI Bank Ltd.

cash flow statement

(Amount in Rupees)

For the year ended 31st March,	2004		2003	
A. Cash flow from operating activities:				
Net profit before tax		44,799,474		25,540,810
Adjustments for				
Depreciation	17,808,548		15,368,240	
Miscellaneous Expenses W. Off	247,414		247,414	
(Profit)/Loss On sale Of Fixed Assets	175,376		(12,475)	
Interest Income	(2,002,558)		(1,068,507)	
Unrealised loss/(gain) on foreign exchange fluctuation (Net)	236,027		383,111	
Interest expense	10,369,228	26,834,035	12,316,390	27,234,173
Operating profit before working capital changes		71,633,509		52,774,983
(Increase)/Decrease in Trade and other receivables	(2,350,717)		(10,516,500)	
(Increase)/Decrease in Inventories	(37,268,699)		(11,569,416)	
(Increase)/Decrease in Loans & Advances	844,102		(570,306)	
Increase/(Decrease) in Trade Payables	39,501,536	726,222	(2,447,908)	(25,104,130)
Cash generated from operations		72,359,731		27,670,853
Less: Direct taxes paid		1,380,086		2,749,694
Net cash from operating activities		70,979,645		24,921,159
B. Cash flow from investing activities:				
Purchase of fixed assets	(34,881,637)		(8,079,990)	
Fixed Deposit with Banks	(4,092,673)		901,826	
Sale of fixed assets	135,900		49,000	
Interest Received	1,964,937	(36,873,473)	1,197,662	(5,931,502)
Net cash from investing activities		(36,873,473)		(5,931,502)
C. Cash flow from financing activities:				
Repayment of Long term borrowings	(22,850,000)		(18,280,000)	
Proceeds from Other Borrowings	2,077,392		12,252,462	
Interest Paid	(9,346,220)		(10,545,289)	
Unclaimed Dividend	(60,844)		224,266	

cash flow statement

(Amount in Rupees)

For the year ended 31st March,	2004		2003	
Dividend Paid		(4,800,180)		(4,000,150)
Dividend Tax Paid	(615,023)	(35,594,875)	—	(20,348,711)
Net cash from financing activities		(35,594,875)		(20,348,711)
Effect of exchange rate on Cash & Cash Equivalents		(1,210)		(1,853)
Net increase in cash and cash equivalents (A+B+C)		(1,489,913)		(1,360,907)
Cash and cash equivalents				
Opening balance		4,527,799		5,888,706
		3,037,886		4,527,799
Cash and cash equivalents - Closing balance		3,037,886		4,527,799

Note: Fixed Deposit with Banks with Maturity over 3 months are considered as Investments

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

For and on behalf of the Board

For **G. P. Agrawal & Co.**
Chartered Accountants

Ajay Agrawal
Membership No 17643
Partner

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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

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 fulfil 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 six, whose composition is given below

- 2 Promoter, Executive Directors
- 4 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 S L Kochar	Independent, Non- Executive	1	Nil	Nil
Shri P R Agarwala	Independent, Non- Executive	8	Nil	Nil
Shri Naresh Pachisia	Independent, Non- Executive	4	2	Nil
Shri K N Ranasaria	Independent, Non- Executive	1	Nil	Nil

Attendance of each Director at the Board Meetings and the last Annual General Meeting:

During the financial year ended March 31, 2004, five Board Meetings were held on 14th April, 2003, 30th June 2003, 29th July, 2003, 30th October 2003 and 29th January, 2004. 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 29.09.2003
Shri S L Kochar	4	Present
Shri P R Agarwala	1	Leave of Absence
Shri Naresh Pachisia	5	Present
Shri K N Ranasaria	1	Leave of Absence
Shri Deepak Jalan	5	Present
Shri Prakash Jalan	3	Present

3. audit committee

The Audit Committee of the Company comprises of three Directors, who are Independent and Non-Executive. All these Directors possess knowledge of corporate finance, accounts and law. The attendance of the Members at the four Audit Committee Meetings held during the financial year ended 31st March, 2004, were as under:

Members	No. of Meetings attended
Shri S L Kochar, Chairman	4
Shri Naresh Pachisia	4
Shri P R Agarwala	Leave of Absence

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.

4. 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 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 (Rs)	Benefits (Rs)	Sitting Fees (Rs)	Total (Rs)	Service contract/ Notice period/ Severance fees
Shri Deepak Jalan	726,000	97,607	–	823,607	Service
Shri Prakash Jalan	726,000	90,410	–	816,410	Service
Shri S L Kochar	–	–	12,000	12,000	Retire by rotation
Shri P R Agarwala	–	–	2,000	2,000	Retire by rotation
Shri Naresh Pachisia	–	–	18,500	18,500	Retire by rotation
Shri K N Ranasaria	–	–	2,000	2,000	Retire by rotation

5. shareholders' committee**■ Share Transfer Committee**

The Share Transfer Committee comprises of Shri Deepak Jalan and Shri Naresh Pachisia. The Committee dealt 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, 2004, 18 Share Transfer Committee Meetings were held.

■ Shareholder/Investor Grievances Committee

The Shareholder/Investor Grievances Committee comprises of Shri P R Agarwala 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 8. There were no outstanding complaints as on 31st March, 2004. Number of Shares pending for transfer as on 31st March, 2004 were Nil.

■ Compliance Officer

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

6. 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
2000–2001	26.09.2001	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata 700020	3 pm
2001–2002	25.11.2002	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata 700020	3 pm
2002–2003	29.09.2003	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata 700020	3 pm

- No special resolution was put through ballot at the last AGMs.
- No resolution by postal ballot was passed during last year.

7. 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.

8. means of communication

■ The quarterly and half yearly results are published in the leading newspapers in English and Bengali.

■ The Company results and official news release are displayed on the Company's Website. www.lincpen.com

■ No presentation has been made to institutional investors or analysts.

■ Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

9. general shareholder information

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

■ Annual General Meeting

Date and Time	9th September, 2004 at 3.30 pm
Venue	Shripati Singhanian Hall, 94/2, Chowringhee Road, Kolkata 700020

■ Financial Calendar

Financial Year	1st April to 31st March
Results	1st Qtr—end July, 2004 2nd Qtr—end October, 2004 3rd Qtr—end January, 2005 4th Qtr—end June, 2005

■ Book Closure Date

01.09.2004 to 09.09.2004 on account of AGM and Dividend.

■ Dividend Payment Date

After 9th September, 2004

■ Listing of Equity Shares on

The Calcutta Stock Exchange
The Stock Exchange, Mumbai,
(Listing fee for the year 2003–2004 has been paid to the above Stock Exchanges.)

■ Stock Code

The Stock Exchange, Mumbai-531241
Calcutta Stock Exchange-10022035
Demat ISIN No INE 802B01019

■ **Market Price Data**—High/Low during each month of the year ended 31st March, 2004, on the Stock Exchange, Mumbai.

Month	High (Rs)	Low (Rs)
April, 2003	7.25	5.60
May, 2003	9.00	5.95
June, 2003	9.00	7.12
July, 2003	9.50	7.81
August, 2003	10.60	8.15
September, 2003	11.00	7.25
October, 2003	10.40	8.10
November, 2003	17.00	8.75
December, 2003	19.80	13.10
January, 2004	20.25	13.50
February, 2004	16.90	13.80
March, 2004	14.50	12.70

■ Share Transfer System

Share transfers 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.

■ Distribution of Shareholding

distribution of shareholding by ownership

	Holding patterns	No. of shares	Shareholding %
1	Promoters & Associates	48,48,266	60.60
2	NRI, FIIs, etc.	400	0.01
3	Private Corporate Bodies	3,69,118	4.61
4	Indian Public	27,82,516	34.78
	Total	80,00,300	100.00

distribution of shareholding by size

Range of shares	Shareholders		Shares	
	Number	%	Numbers	%
1 to 500	2223	72.98	3,45,260	4.31
501 to 1000	243	7.98	2,12,682	2.66
1001 to 5000	455	14.94	11,06,189	13.84
5001 to 10000	42	1.38	3,02,730	3.78
10001 & above	83	2.72	60,33,439	75.41
Total	3046	100.00	80,00,300	100.00

■ Dematerialisation of Shares

Holding	No. of Holders	%	No. of Shares	%
Physical	1515	49.74	37,12,320	46.40
Demat	1531	50.26	42,87,980	53.60
Total	3046	100.00	80,00,300	100.00

■ Outstanding GDR/ADR or any convertible Instruments **Not Applicable**

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

address for correspondence

For Share Transfer and related queries

M/s Maheswari Datamatics Pvt Ltd
6, Mangoe Lane, 2nd Floor,
Kolkata 700001
Phone (033) 22435029/5809
Fax (033) 22484787
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 700027
Phone (033) 24790248
Fax (033) 24790253
e-mail investors@lincpen.com

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 fulfil 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 six, whose composition is given below

- 2 Promoter, Executive Directors
- 4 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 S L Kochar	Independent, Non- Executive	1	Nil	Nil
Shri P R Agarwala	Independent, Non- Executive	8	Nil	Nil
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■ Distribution of Shareholding

distribution of shareholding by ownership

	Holding patterns	No. of shares	Shareholding %
1	Promoters & Associates	48,48,266	60.60
2	NRI, FIIs, etc.	400	0.01
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■ The manufacturing facilities of the Company are located at Serakole, West Bengal, Corlim and Pilerne, Goa

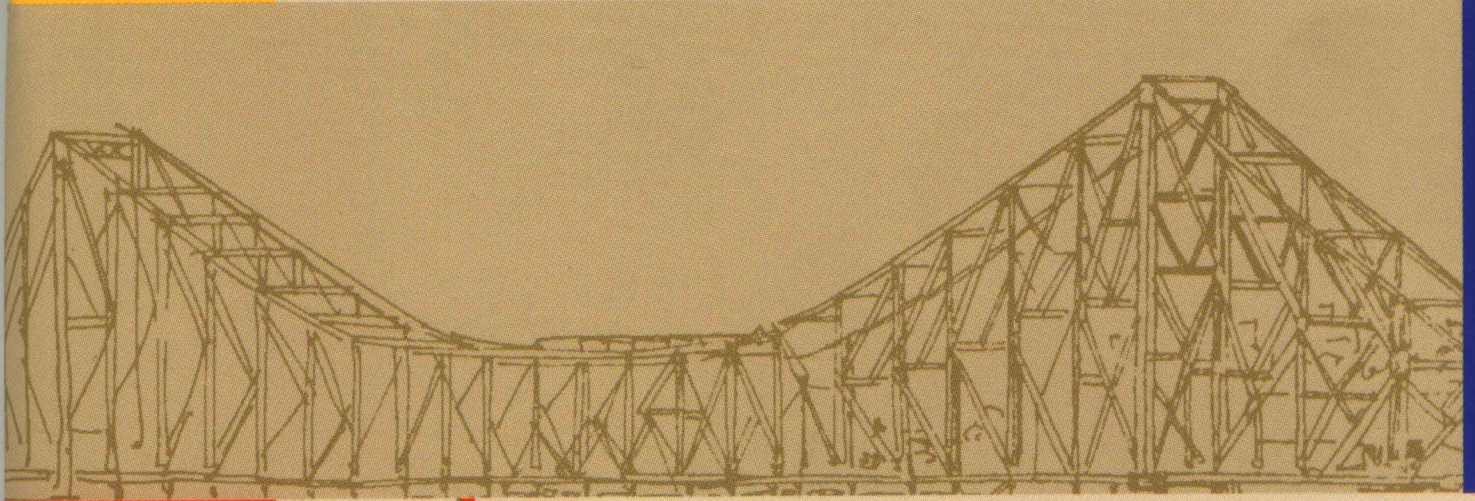
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e-mail investors@lincpen.com



the kolkata**linc**

linc pen & plastics limited

annual report 2003-2004

the hand that wields the pen

directors profile

Shri Sohan Lal Kochar

72, Director, a Post Graduate in Commerce & LLB, is a leading advisor on income tax matters. With his vast knowledge and experience, he has been a guiding force since the inception of the Company.

Shri Prahlad Rai Agarawala

66, Director, 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

41, 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

70, 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 the Whole Time Director of Balrampur Chini Mills Limed, one of India's leading sugar companies.

Dr Ranjan Das

55, 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 Alope Jalan

35, Whole Time Director, a Commerce Graduate with 14 years of experience in the business, he looks after the Company's marketing operations with special emphasis in the western region.

Shri Prakash Jalan

38, Whole Time Director, a Commerce Graduate with 17 years of experience in the business, he looks after the production of both plants as well as administrative functions at the Goa units.

Shri Deepak Jalan

42, Managing Director a Commerce Graduate with 19 years of experience in the business, he is responsible for the overall operations of the Company with a specialisation in international operations.

annexure to the directors' report

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.

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.

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. 1048.89 Lacs
Foreign Exchange Earned	Rs. 982.99 Lacs

auditor's report to the members

We have audited the attached Balance Sheet of LINC PEN AND PLASTICS LIMITED as at 31st March, 2004 and also the Profit and Loss Account and 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.

We 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 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.

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 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 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 written representations received from such directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 31st March, 2004;

b) in the case of the Profit and Loss Account, of the profit for the year ended on that date: and

c) 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

Ajay Agrawal
Membership No 17643
Partner
7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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 vendors. The limit on investment was raised to Rs 500 Lacs vide Central Government Notification No. S. O. 655(E) dated 05.06.03.

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

opportunities and threats

The demand for writing instruments is expected to grow on account of increase in the literate population of the country. The more liberal buying behaviour of the consumer will also fuel growth.

A special thrust is given to the education by the Government in the recent Finance Bill. The Government has levied an across the board education cess of 2%, for providing basic education to all children of the country. This special literacy drive of the Government should generate significant growth opportunities for the writing instrument industry.

On the exports front also enormous potential exists for the Indian writing instrument industry. However the growth opportunities may attract new players in the industry and can intensify competition.

product wise performance

The Company sold 3197 Lac pcs of pens and 1719 Lac pcs of refills during the year as compared to 2039 Lac pcs of pens and 1462 Lac pcs of refills during 2002-03. The Company registered a 57% volume growth in sales of pens during 2003-04.

During the year the Company emerged as one of the leading writing instrument Company in the critical mass segment of upto Rs 5 in the domestic market. The Company was first to launch gel pen under the brand "Ocean Gel" at a crucial price point of Rs 5, during the year 2003-04. The product was an instant success with the students, who found the same truly affordable. The product made substantial contribution to the volume generated by the Company during 2003-04. The exports of the Company registered a growth of 29.7%.

outlook

Please refer to the Directors' Report.

risk and concerns

Increasing trend in the prices of key raw material, forex market fluctuations and its impact on the product pricing is 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 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.

financial performance

Please refer to the Directors' Report.

human resources

The Industrial relations during the year remained cordial. The Company as on 31st March, 2004 had 330 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 for its success.

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.

profit & loss account

(Amount in Rupees)

For the year ended 31st March,	Schedule No.	2004	2003
Income			
Sales	13	836,351,061	619,457,480
Other Operational Income	14	16,609,814	13,562,159
Other Income	15	2,501,274	2,251,533
Increase / (Decrease) in Stocks	16	15,111,542	(251,134)
		870,573,691	635,020,038
Expenditure			
Raw Materials & Components Consumed	16	390,080,594	283,158,635
Purchases of Trading Goods		155,076,423	105,471,995
Manufacturing, Administrative, Selling & General Expenses	17	252,439,424	193,163,968
Interest	18	10,369,228	12,316,390
Depreciation		17,808,548	15,368,240
		825,774,217	609,479,228
Profit Before Taxation		44,799,474	25,540,810
Provision For Taxation			
Current Tax		4,600,000	3,300,000
Deferred Tax		906,419	480,529
Profit After Taxation		39,293,055	21,760,281
Balance Brought Forward		34,858,671	54,864,241
Income Tax for Earlier Years		280,058	(350,648)
Profit Available for Appropriation		74,431,784	76,273,874
Appropriations			
General Reserve		40,000,000	36,000,000
Proposed Dividend		9,600,360	4,800,180
Tax on Proposed Dividend		1,254,647	615,023
Balance Carried To Balance Sheet		23,576,777	34,858,671
		74,431,784	76,273,874

Significant Accounting Policies and Notes on Accounts 19

Schedules 13 to 19 referred to above form an integral part of the Profit & Loss Account

Earning Per Share—Basic & Diluted 4.91 2.72
(Face Value Rs 10/- Each)

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

For **G. P. Agrawal & Co.**
Chartered Accountants

For and on behalf of the Board

Ajay Agrawal
Membership No 17643
Partner
7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

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



schedules to the balance sheet

(Amount in Rupees)

As at 31st March,	2004	2003
Schedule-1		
Share Capital		
Authorised:		
10,000,000 Equity Shares of Rs 10/- Each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and Paid up		
8,000,300 Equity Shares of Rs 10/- each fully paid up in cash	<u>80,003,000</u>	<u>80,003,000</u>
Schedule-2		
Reserves & Surplus		
General Reserve		
Opening Balance	40,000,000	4,000,000
Add: Transfer from Profit & Loss Account	<u>40,000,000</u>	<u>36,000,000</u>
	80,000,000	40,000,000
Securities Premium Account	29,694,000	29,694,000
Profit & Loss Account		
Surplus as per Profit & Loss Account	<u>23,576,777</u>	<u>34,858,671</u>
	<u>133,270,777</u>	<u>104,552,671</u>
Schedule-3		
Loan Funds		
Secured Loans		
From Scheduled Banks *		
Term Loan	17,025,694	39,875,694
Short Term Loan	22,500,000	22,500,000
Packing Credit	19,408,802	2,181,415
Cash Credit	24,430,041	28,976,697
Foreign Currency Loan	29,532,208	42,951,525
*Secured by hypothecation of Plant & Machinery, Moulds & Current Assets of the Company and first charge by way of Equitable Mortgage of Immovable Properties of the Company and also guaranteed by Managing Director and Whole Time Director of the Company.		
From others	1,862,617	582,979
Secured against Hypothecation of Cars		
	<u>114,759,362**</u>	<u>137,068,310**</u>
**Includes Loan repayable within one year Rs 66,712,206/- (Rs 40,078,000/-)		
Unsecured Loans		
Trade Deposits	21,617,886	18,994,080
Includes interest accrued and due Rs 973,702/- (Rs 1,707,858/-)		
	<u>21,617,886</u>	<u>18,994,080</u>

fixed assets

Schedule -4

Description of Assets	Gross Block		Depreciation		Net Block	
	As at 1st April 2003	Additions during the Year	Deductions during the Year	As at 31st March 2004	Up to 31st March 2003	Up to 31st March 2004
Freehold Land	1,063,637	112,000	—	—	—	1,175,637
Buildings	13,246,848	295,500	—	394,788	1,781,345	11,761,003
Plant & Machinery	30,520,737	1,370,947	—	3,177,346	12,847,937	19,043,747
Other Equipments	83,862,922	23,224,011	98,533	13,535,269	41,681,555	65,306,845
Furniture & Fixtures	4,611,264	1,036,622	—	323,296	1,402,052	4,245,834
Vehicles	3,445,519	2,289,526	422,474	377,849	998,428	4,314,143
Total	136,750,927	28,328,606	521,007	17,808,548	58,711,317	105,847,209
Previous Year	125,045,811	12,097,084	391,968	15,368,240	355,443	41,112,500
Capital Work In Progress						
Total						117,517,188
						100,755,375

schedules to the balance sheet

(Amount in Rupees)

As at 31st March,	2004	2003
Schedule-5		
Investments-Long Term (At cost)		
Other than Trade		
Unquoted		
National Savings Certificate (Deposited with Statutory Authorities)	15,000	15,000
	<u>15,000</u>	<u>15,000</u>
Schedule-6		
Inventories *		
(As taken, valued and certified by the management)		
Raw Materials & Components	150,422,549	128,223,489
Finished Goods	39,949,529	35,027,603
Trading Goods	22,276,903	16,373,133
Work In Process	7,279,850	2,994,004
Scrap	11,519	53,422
	<u>219,940,350</u>	<u>182,671,651</u>
* Includes Materials lying with third parties		
Schedule-7		
Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	3,415,372	13,820,199
Other Debts	92,548,172	80,047,502
	<u>95,963,544</u>	<u>93,867,701</u>
Schedule-8		
Cash & Bank Balances		
Cash & Cheques in hand (as certified)	2,039,284	3,698,144
Balances with scheduled banks in:		
Current Accounts	513,402	283,611
Unpaid Dividend Accounts	485,200	546,044
Fixed Deposit Account	15,225,854	11,133,181
(Lodged with Bank as margin money)	16,224,456	11,962,836
	<u>18,263,740</u>	<u>15,660,980</u>

schedules to the balance sheet

(Amount in Rupees)

As at 31st March,	2004	2003
Schedule-9		
Loans & Advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for Value to be received or pending adjustments	8,785,010	8,771,245
Advance Income Tax & T.D.S.(Net of Provision)	—	2,863,935
Export Benefits Receivable	2,576,571	3,087,839
Security Deposits	2,743,611	3,052,589
	<u>14,105,192</u>	<u>17,775,608</u>
Schedule-10		
Current Liabilities		
Sundry Creditors		
- Small Scale Industrial Undertakings (Refer Point No 6 of Notes to the Accounts)	30,494,073	12,896,689
- Others	64,449,044	41,987,976
Investor Education And Protection Fund (Due for less than seven years)	485,200	546,044
Advances from Customers	1,334,869	1,976,300
	<u>96,763,186</u>	<u>57,407,009</u>
Schedule-11		
Provisions		
Provision for Income Tax (Net of Advance Income Tax & T.D.S.)	75,921	—
Proposed Dividend	9,600,360	4,800,180
Tax On Proposed Dividend	1,254,647	615,023
	<u>10,930,928</u>	<u>5,415,203</u>
Schedule-12		
Miscellaneous Expenditure		
(To the extent not written off/adjusted)		
Preliminary Expenses	3,846	38,692
Share Issue Expenses	212,568	425,136
	<u>216,414</u>	<u>463,828</u>

schedules to the profit & loss account

(Amount in Rupees)

For the year ended 31st March,	2004	2003
Schedule-13		
Sales		
Domestic	734,600,036	541,025,798
Exports	101,751,025	78,431,682
	836,351,061	619,457,480
Schedule-14		
Other Operational Income		
Export Benefits Received	14,318,039	11,565,485
Incentive and Discount on Purchase	2,291,775	1,622,228
Job Charges Received (Gross)*	—	374,446
	16,609,814	13,562,159
* Includes Tax Deducted at Source Rs Nil (Rs 7,788/-)		
Schedule-15		
Other Income		
Interest Received (Gross)*	2,002,558	1,068,507
Insurance Claim	8,740	1,089,838
Profit on Sale of Fixed Assets	—	12,475
Miscellaneous Income	489,976	80,713
	2,501,274	2,251,533
* Includes Tax Deducted at Source Rs 230,707/- (Rs 221,837/-)		
Schedule-16		
Raw Materials Consumed		
Opening Stock of Raw Materials	128,276,911	116,456,361
Add: Purchases during the year	412,237,751	294,979,185
	540,514,662	411,435,546
Less: Closing Stock of Raw Materials	150,434,068	128,276,911
	390,080,594	283,158,635
Increase/(Decrease) In Stocks		
Closing Stock		
Finished Goods	39,949,529	35,027,603
Trading Goods	22,276,903	16,373,133
Work In Progress	7,279,850	2,994,004
	69,506,282	54,394,740
Less: Opening Stock		
Finished Goods	35,027,603	41,820,609
Trading Goods	16,373,133	12,825,265
Work In Progress	2,994,004	—
	54,394,740	54,645,874
Increase/(Decrease) In Stock	15,111,542	(251,134)

schedules to the profit & loss account

(Amount in Rupees)

For the year ended 31st March,	2004	2003
Schedule-17		
Manufacturing, Administrative, Selling & General Expenses		
Stores and Spare Parts Consumed	1,831,286	456,861
Power & Fuel	6,269,168	4,485,129
Processing Charges	77,667,973	55,454,299
Rent	4,242,393	3,204,399
Repairs & Maintenance		
Machinery	2,761,601	3,445,026
Building	500,861	263,487
Others	1,473,201	949,265
	4,735,663	4,657,778
Other Manufacturing Expenses	1,839,625	2,006,316
Payments to and Provisions for Employees		
Salaries, Wages, Bonus & Allowances	19,995,484	17,669,007
Contribution to Provident and Other Funds	2,204,600	1,658,879
Workmen and Staff Welfare & Training Expenses	1,564,478	23,764,562
	1,675,019	21,002,905
Auditors Remuneration	225,720	222,600
Miscellaneous Expenses	10,495,703	8,324,012
Insurance Charges	2,217,944	1,587,814
Rates & Taxes	121,037	121,711
Directors' Sitting Fees	34,500	37,000
Travelling & Conveyance	8,264,533	7,908,753
Postage, Telegram & Telephone	2,730,298	2,682,668
Freight & Transportation	16,315,034	11,427,083
Advertisement Expenses	20,450,393	11,963,272
Sales Promotion Expenses	35,386,424	25,273,675
Commission On Sales	2,376,833	1,989,156
Discount & Rebate	20,201,252	16,274,690
Bad Debts	832,861	121,695
Other Selling & Distribution Expenses	10,669,089	9,652,048
Loss on Exchange Fluctuation (Net)	1,344,343	4,062,690
Loss on Sale of Fixed Assets	175,376	—
Miscellaneous Expenditure Written Off	247,414	247,414
	252,439,424	193,163,968
Schedule-18		
Interest		
To Bank	8,546,172	10,267,923
To Others	1,823,056	2,048,467
	10,369,228	12,316,390

schedule to the balance sheet and profit & loss account

Schedule-19: 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 normally accepted accounting principles, and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.
- b) Insurance and other claims/refunds are accounted for on actual receipt/acceptance basis, due to uncertainty in realization.

2. Revenue Recognition

Sales is exclusive of Sales Tax, rebate etc.

3. Fixed Assets

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.

4. Depreciation

- a) Depreciation is provided on straight-line method at the rates specified in Schedule XIV to The Companies Act, 1956.
- b) Depreciation on fixed assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.

5. Foreign currency transactions

- a) Assets and liabilities related to foreign currency transactions (other than those covered under forward contract) remaining outstanding at the yearend are translated at the yearend rate. Foreign currency transactions covered under forward contract are accounted for at contracted rates. The effect of exchange rate fluctuation in respect of monetary assets is taken to Profit & Loss Account.
- b) Transactions in Foreign Exchange in respect of Income/Expenditure items are recorded at the exchange rate at which the transaction is carried out.

6. Investments

Investments are stated at cost.

7. Inventories

- a) Inventories (other than Scrap) are valued at lower of cost or net realizable value. The cost of Inventories is computed on a weighted average/FIFO basis. The cost of Finished Goods and work-in-process includes cost of conversion and other cost incurred in bringing the Inventory to their present location and condition.
- b) Scrap is valued at Net Realisable Value.

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

8. Amortisation of expenses

Preliminary and share issue expenses are amortised over a period of ten years.

9. Retirement benefits

- a) Liabilities on account of retirement benefit arising during the year is assessed and funded to the approved Gratuity scheme subscribed to by the company.
- b) Leave encashment benefit is accounted for on the basis of actuarial valuation.

10. Income Taxes

Tax expense comprises both current and deferred taxes. 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.

11. 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.

12. Segment Reporting

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products provided, with each segment representing a strategic business unit that offers different products having different risks and returns. The analysis of geographical segment is based on the areas in which customers of the Company are located.

13. Contingent liabilities

No provision is made for liabilities, which are contingent in nature, but are disclosed by way of notes.

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

B. Notes on Account (Amount in Rupees)

	31st March,2004	31st March,2003
1. Estimated amount of contracts remaining to be executed for Capital Expenditure (net of advances) and not provided for	11,846,716	11,340,539
2. Contingent Liabilities not provided for		
a) Unredeemed Bank Guarantees*	27,341,538	21,242,588
*Margin Money paid against the above	12,811,305	10,346,094
b) Income Tax demands for earlier years not acknowledged as debts	—	94,041
c) Bills Discounted from Bank	2,488,183	584,494
3. Managerial Remuneration		
Salary	1,452,000	1,200,000
Other Benefits	188,017*	—*
Directors' Sitting Fees to Non-Executive Directors	34,500	37,000
* Excluding taxable value of perquisites Rs 52,800/- (Rs 52,800/-)		
4. a) Statutory Auditors' Remuneration		
Audit Fees	108,000	105,000
Tax Audit Fees	48,600	47,750
Other Matters	52,920	59,350
	<u>209,520</u>	<u>212,100</u>
b) Branch Auditors' Remuneration		
Audit Fees	12,960	8,400
Tax Audit Fees	3,240	2,100
	16,200	10,500
Total (a+b)	<u>225,720</u>	<u>222,600</u>

5. Segment Reporting

Business Segment: The Company has one major business segment, namely "Pen, Pencil and allied accessories" which is the primary segment. Products not falling under the above category are classified under "Others".

Geographical Segment: The Company operates in two geographical markets, in India and outside India.

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

Segment information as per Accounting Standard 17 for the year ended 31st March, 2004 is given hereinbelow:

(a) Business Segments (Amount in Rupees)

Particulars	Pen, Pencil & Allied accessories	Others	Consolidated Total
REVENUE			
External Revenue (Net)	836,080,874 (619,090,994)	270,187 (366,487)	836,351,061 (619,457,481)
RESULT			
Segment Result	59,365,214 (36,734,906)	-24,965 (53,787)	59,340,249 (36,788,693)
Unallocated Corporate Expenses (Net of Revenue)			6,174,105 (6,086,810)
Interest Expense (net of interest income)			8,366,670 (11,247,883)
Income Tax and Deferred Tax			5,506,419 (3,780,529)
NET PROFIT			39,293,055 (21,760,281)
Segmental Assets	420,302,905 (359,458,837)	434,054 (1,044,696)	420,736,959 (360,503,533)
Unallocated Corporate Assets			45,068,055 (50,242,783)
Total Assets			465,805,014 (410,746,315)
Segmental Liabilities	122,292,261 (67,646,321)	— (—)	122,292,261 (67,646,321)
Unallocated Corporate Liabilities			130,455,390 (159,008,151)
Total Liabilities			252,747,651 (226,654,472)
Capital Expenditure			34,881,637 (8,079,990)
Depreciation			17,808,548 (15,368,240)
Non cash expenses other than Depreciation			880,724 (747,858)

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

(b) Geographical Segments

External Revenue

Within India	734,600,036 (541,025,798)
Outside India	101,751,025 (78,431,682)
	<u>836,351,061</u> (619,457,480)

Carrying amount of Segment Assets

Within India	411,856,926 (345,142,553)
Outside India	8,880,033 (15,360,979)
	<u>420,736,959</u> (360,503,532)

Addition to Fixed Assets and Intangible assets

Within India	34,881,637 (8,079,990)
Outside India	— (—)
	<u>34,881,637</u> (8,079,990)

6. 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);

(1) Calcutta Label Works (2) Mudrika Labels Pvt. Limited. (3) Prime Prints Pvt. Limited (4) Wonderpack (India) (5) Ostern Pvt. Limited (6) Sigma Inc. (7) Linc Writing Aids Pvt. Limited.

7. Earnings Per Share

	2003-04	2002-03
The numerator and denominator used to calculate Basic/Diluted Earnings Per Share		
a) Amount used as the numerator (Profit after Tax)	39,293,055	21,760,281
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	10	10
d) Basic/Diluted Earnings Per Share (a/b)	4.91	2.72

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

8. Related Party transactions

Related party disclosure as per Accounting Standard 18 for the year ended 31st March 2004 are given below:

(Amount in Rupees)

Description	Associates	KMP	Enterprises over which KMP and their relatives have substantial interest	Relatives of KMP	Total
Purchase	944046	—	23016081	—	23960127
Sale of Goods	121957949	—	3337872	—	125295821
Purchase of Fixed Assets	—	—	835000	—	835000
Receiving of Services	1608000	1596000	57000	114000	3375000
Outstanding Receivable- Net of Payable	15006877	—	—	—	15006877

Note: Names of related parties and description of relationship;

Associates Includes;

Linc Writing Aids Pvt. Ltd.
Shree Writing Aids Pvt. Ltd.

Key Managerial Personnel Includes;

Deepak Jalan, Managing Director
Prakash Jalan, Whole Time Director

Enterprises over which KMP and their relatives have substantial interest;

S M Pen & Plastic Industries
Radhika Writing Instruments
Linc Marketing Services (Goa)
Linc Engineering
Linc Soaps

Relatives Includes;

Deepak Jalan (HUF)
(Mr Deepak Jalan is the Karta of HUF)

9. Deferred Tax Liability (Net)

Particulars	Deferred Tax Asset/(Liability) As at 31.03.2004	Deferred Tax Asset/(Liability) As at 31.03.2003
Tax effect of timing differences on account of:		
i) Difference between book and tax depreciation	(8718915)	(7769870)
ii) Expenses allowable for tax purpose on payment basis.	<u>42626</u>	—
Deferred Tax Liability (Net).	(8676289)	(7769870)

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

10. 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	*	2668.354 (1720.021)
Refills	Pcs	*	3425.854 (2797.869)

Note: * 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.

No specific licence is required for the manufacture of products mentioned above.

Production includes products manufactured on job basis.

b) Opening & Closing Stock of Finished Goods Produced for Sale

(Amount in Rupees)

Sl. No.	Description	Unit	Opening Stock		Closing Stock		Sales	
			Quantity	Amount	Quantity	Amount	Quantity	Amount
I)	Pens	Pcs.	14349023 (22552071)	18723224 (33519140)	15914517 (14349023)	21433615 (18723224)	260061793 (172979820)	449057307 (353745373)
II)	Refills	Pcs.	30428072 (15846656)	13281694 (8255671)	26355719 (30428072)	18173679 (13281694)	168538261 (144995983)	156105709 (120758935)
III)	Pencils	Pcs.	381916 (369)	606297 (898)	45235 (381916)	59621 (606297)	5544745 (6843757)	17609716 (21042250)
IV)	Others	---		2416388 (44900)		282614 (2416388)		3395485 (2706995)
Total			35027603		39949529		626168217	
Total (Previous Year)			(41820609)		(35027603)		(498253553)	

Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

c) Opening and Closing Stock of Goods Traded in

(Amount in Rupees)

Description	Unit	Opening Stock		Purchases		Sales		Closing Stock	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Pens	Pcs.	5642211 (4189327)	10985687 (6274694)	57862251 (32408003)	128899475 (82913377)	59636199 (30955119)	175261618 (94827675)	3868263 (5642211)	15631292 (10985687)
Refills	Pcs.	1292778 (1617646)	1332991 (2620547)	2701495 (857572)	1917262 (3305472)	3406770 (1182440)	6255859 (5324894)	587503 (1292778)	786975 (1332991)
Pencils	Pcs.	526594 (397102)	929597 (1089206)	870507 (1470975)	1126199 (2185687)	1192388 (1341483)	1961843 (2872936)	204713 (526594)	663316 (929597)
Tips	Pcs.	12400 (13890)	63240 (70887)	19628576 (13916791)	6275310 (4456379)	18931982 (13918281)	4189741 (4687032)	708994 (12400)	2180543 (63240)
Ink	Kgs.	— (—)	— (—)	15743 (12444)	3897303 (3502771)	15743 (12444)	4334285 (4097388)	— (—)	— (—)
Granules	Kgs.	— (—)	— (—)	7536 (100)	466160 (9833)	7536 (100)	466160 (21575)	— (—)	— (—)
Others	---		3061618 (2769931)		12494714 (9098476)		17713338 (9372427)		3014777 (3061618)
Total		16373133		155076423		210182844		22276903	
Total (Previous Year)		(12825265)		(105471995)		(121203927)		(16373133)	

d) Raw Materials Consumed

Sl No	Items	Unit	Quantity	Value
I)	Plastic Powder	Kgs	1546492 (1083653)	73757109 (70536804)
II)	Ink	Kgs	128746 (89892)	27113809 (27185789)
III)	Tips	Pcs	386643461 (281578007)	74678817 (89834578)
IV)	Components for Pen / Ball Pen/ Pencils	Pcs	1137325659 (583319837)	183950917 (64901894)
V)	Others	—		30579942 (30699570)
Total				390080594
Total (Previous Year)				(283158635)

balance sheet abstract

12. 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 Reserve & Surplus

Other Liabilities Unsecured Loans

Application of Funds
Net Fixed Assets Investments

Net Current Assets Miscellaneous Expenditure

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

Turnover & Other Income Total Expenditure

+ - Profit/Loss Before Tax + - Profit/Loss After Tax

Earning Per Share in Rs Dividend rate (%)

5. Generic Name of three principal 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

Item Code No (ITC Code) Product Description

Item Code No (ITC Code) Product Description

Item Code No (ITC Code) Product Description

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Item Code No (ITC Code) Product Description

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 19 forming part of the Accounts.

For and on behalf of the Board

For G. P. Agrawal & Co.
Chartered Accountants

Ajay Agrawal
Membership No 17643
Partner

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

7A, Kiran Shankar Ray Road
Kolkata 700001
The 16th day of July, 2004

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



Schedule-19: Significant Accounting Policies and Notes on Accounts (Contd.)

e) Value of Raw Materials Consumed (Amount in Rupees)

Particulars	Amount	Percentage
Imported	93619343 (76458480)	24.00% (27.00%)
Indigeneous	296461251 (206700155)	76.00% (73.00%)
Total	390080594	100.00%
Total (Previous Year)	(283158635)	(100.00%)

f) Value of Stores & Spares Consumed

Imported	— (—)	— (—)
Indigeneous	1831286 (456861)	100% (100%)
Total	1831286	100%
Total (Previous Year)	(456861)	(100%)

2003-04 2002-03

g) CIF Value of Imports

Raw Materials & Components	70,104,451	51,779,818
Trading Goods	14,782,229	23,166,822
Capital Goods	17,236,964	1,117,353

h) Expenditure in Foreign Currency (On Payment Basis)

i) Bank Interest & Commission	673,450	393,312
ii) Travelling	1,002,486	772,319
iii) Exhibition Expenses	771,972	855,636
iv) Commission on Exports	46,368	—
v) Product Designing & Testing Charges	270,605	—

i) Earnings in Foreign Exchange (On Accrual Basis)

Exports on FOB Basis	98,298,743	75,101,901
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11. i) Figures in brackets represents figures for the previous years.
ii) The previous year figures have been regrouped and rearranged wherever necessary.