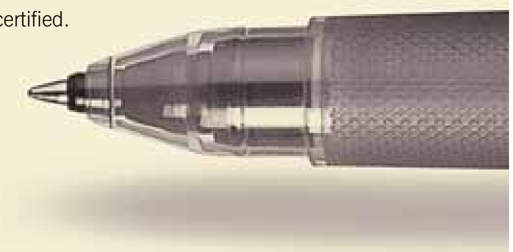
A scribble about Linc

• Premier Indian manufacturer and exporter of writing instruments.

• Manufacturing facilities at Serakole (West Bengal), Pilerne and Corlim (Goa).

• Goa units certified and approved by some of the world's leading retail chain stores like Wal-Mart and W.H. Smith; Pilerne unit ISO 9001:2000-certified.



• Strategic alliances:

Mitsubishi Pencil Co. Ltd., Japan, for the 'Uniball' brand.

Bensia Co. Ltd., Taiwan, for the 'Bensia' brand.

C. Josef Lamy GmbH, Germany, for the premium 'Lamy' brand.

• Publicly held Company, listed on the Bombay and Calcutta stock exchanges.

What the numbers say about our Performance in 2004-05

Growth in numbers

• 46% increase in sales from Rs. 83.63 cr in 2003-4 to Rs. 121.83 cr in 2004-5.

• 26% increase in EBIDTA from Rs. 7.29 cr in 2003-4 to Rs. 9.18 cr in 2004-5.

• 20% increase in profit after tax from Rs. 3.92 cr in 2003-4 to Rs. 4.72 cr in 2004-5.

• 47% increase in exports from Rs.10.18 cr. in 2003-4 to Rs. 15.01 cr. in 2004-5.

Growth in the marketplace

• 31 channel partners.

• 10% market share of India's critical mass segment of pens up to Rs. 5 each.

• 1217 distributors in 2004-5, an increase of 225 from the level of 2003-4

• Commissioning of 'Just Linc' stores in Kolkata, Mumbai and Lucknow, a one-stop-shop for all products manufactured or marketed by the Company.

Growth in respect

• 'Star Export House' status by the Ministry of Commerce.

• P1 rating from CRISIL for the issue of commercial paper.

• ISO 9001:2000 certification for quality writing solutions.

• 'Emerging India Award' for the Best SME in the FMCG category by CNBC TV 18.

If you are using a Linc,
you can carry our pens in your pocket without worrying
about buying new shirts — and thereafter, new pens.

Linc introduced the concept of Leak Guard to reduce chances of leaking. At Linc, we promise consumers a secure ink retention capability, coupled with a smooth writing experience.

At Linc, this seemingly simple assurance is patiently derived through a deep understanding of ink viscosity, responsiveness to temperature extremes and compatibility with metal and plastic.

At Linc, we protect the quality of what we produce by:

• Conducting an in-house check of every single ink variety across demanding parameters of colour, consistency and shelf-life.

• Conducting tests to optimise writing efficiency across various angles.

• Outsourcing ink and tips only from credible domestic and international vendors (Germany and Japan).

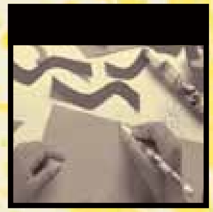
• Scrutiny of the tip-ink combination for smooth and smudge-free writing.

• Designing the pen to make it safe for children.

• Conducting comprehensive writing check for all the products.

As a result, Linc has been awarded the ISO certification 9001:2000 in June 2002 for quality writing solutions.

I NEVER used a ball point pen until I was in class VI. My daughter has begun to use it from class III.



If there is one thing that we can talk proudly about and take credit for, is that we are not only engaged in product innovation, **but also in redefining the market.**

Because at Linc, we have continuously enhanced our capacity, priced our pens competitively and reached them to an ever-widening consumer cross-section.

This strategy has been reflected in the following market-altering initiatives:

• Launched Tip-Top, a retractable ball pen, at Rs. 2.50 in 2000 when the prevailing market price for any branded pen was not less than Rs. 5.

• Launched Hi-school gel pen at Rs. 10 in 2001 at a time when the prevailing price for branded gel pens was Rs. 15-20.

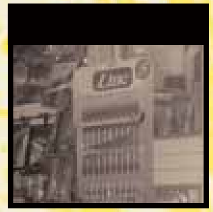
• Introduced Smart OBG, an oil-based gel pen at Rs. 5 in 2002, which provides writing quality of gel pen at the cost of a ball pen.

• Introduced Ocean Gel, a quality gel pen at Rs. 5 in 2003 when the prevailing market price for a similar product was Rs. 7.

• Launched retail outlets – Just Linc – dealing exclusively in writing instruments in 2004.

As a result, we simply multiplied our turnover 4.3 times and EBIDTA 2.8 times over the levels of 1999-2000.

Earlier, we would go to a stationery shop to buy pens. Now it comes with the grocery."



At Linc, one of our proudest achievements has not just been in altering our behaviour in response to the marketplace; it is in altering to an extent **the nature of a consumer's purchase.**

The purchase of a single pen used to be a 'considered' decision until not too long ago; today, most consumers buy multiple pens in a single purchase. Because the consumer would go out specifically to buy a pen earlier; today, most buy it along with a number of other things as a part of their monthly provisions.

At Linc, we have responded to this change in consumption pattern and evolved into a fast moving consumer goods (FMCG) manufacturer through the following initiatives:

- By reaching our products to consumption points in India through a network of 31 channel partners and 1217 distributors.
- By making our products as easily available across India's urban points as across rural.
- By accelerating the replenishment of inventory at these points.
- By commissioning 'Just Linc' stores in Kolkata, Mumbai and Lucknow and offering a one-stop-shop for all products manufactured or marketed by the Company.

As a result, Linc increased its share in India's organised pens market to 10 per cent in 2004-5.

Have you noticed how most people use one pen to sign the Cheque book and a different one to write a memo to the office?

At Linc, **we constantly endeavour** to better our understanding of consumer responses leading to a redefinition of our product portfolio.

Because until not too long ago, there was one pen to write everything with; now, interestingly, even as communication is getting increasingly psychological, there is a different pen, ink and size for different moods, needs and situations.

At Linc, we have been alive to this gradual evolution; in the process, we have widened our pens portfolio to more than 50 varieties; we have provided the consumer with a wider choice to match different needs for different occasions through the following initiatives:

• The introduction of Linc Starline (1992) as a use-and-throw variety, possessing a writing length of 5 kms, priced at Rs. 4.

• The introduction of Linc Hi-school (2001) at Rs. 10 as an ideal ink pen substitute for young thinking minds; the introduction of Linc Ocean Gel and Linc Sentiment Gel to address the same segment, priced at Rs. 5.

• The introduction of Uni SA-R (1992) as an instrument to address students' special needs for Rs. 10 each, particularly during exams.

• A collaboration with the globally renowned Uniball and Lamy brands.

• The introduction of non-sharpening pencils for children for the first time in India at Rs. 5 each, following a tie-up with Bensia in 1992.

As a result, Linc grew by more than the double of the industry growth rate.

When you carry a ball point pen do you put it into your shirt pocket where others can see it, or in your trouser pocket where no one can?

At Linc, we recognise that we have not only enhanced functional convenience for our consumers over the years at a progressively lower cost, we have also created **more aesthetic writing instruments.**

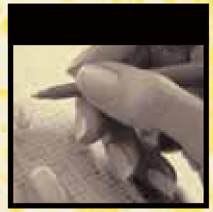
Because until not too long ago, a pen was merely an item of merely an item to write with; now, it is a quasi-fashion statement; something you would not be embarrassed to show; something that aligns with your personality.

At Linc, we have responded sensitively to this change through the following initiatives:

- The creation of a product development team, which crafts new designs at regular intervals.
- A study of how customer preferences are likely to evolve, guiding the product development process.
- The use of advanced designing softwares to design new writing instrument models.
- The conduct of comprehensive tests and checks to accommodate diverse writing styles and angles with the objective to enhance holding and writing comfort.

As a result, LINC was given the Emerging India Award for the best small and medium enterprise (SME) in the FMCG category in May 2005.

Why do indians hold the pen at a 70° angle and koreans at a 90° angle?



At Linc, we recognise that while our plant is in India, in an increasingly boundary-less world **our customers are everywhere.**

As a result, we don't just address markets within India; we do so across a number of markets in the world through the following initiatives:

• Ongoing and increasing outsourcing arrangements with international retail chains and importers like Wal-Mart (USA), Liquimark (USA), Poundland (UK) and W.H. Smith (UK).

• An increasing presence of Linc products in the USA, the UK, Myanmar, Brazil and Turkey.

As a result, Linc increased exports by 47% in 2004-5; exports as a proportion of turnover increased marginally from 12.2% in 2003-4 to 12.3% in 2004-5.

ICICI Bank presents CNBC TV18 EMERGING INDIA awards

Asking the MD some questions

"Our ability to tap growth opportunities by recognising the customer preference has been our major strength"

Mr. Deepak Jalan, *Managing Director*, shares his views on the Company's performance

Q. Were you pleased with the Company's performance in 2004-5?

Interestingly, it was one of the most challenging years due to a sharp increase in raw material costs, and yet it was also one of our most successful as we reported attractive growth across all our products. This superior performance was derived through:

• Cumulative increase in the offtake of products launched in the previous years.

• Success of new models like Ultra and Stylus as a result of product characteristics and aggressive marketing.

• Stronger export presence.

• Increased volume, leading to increased operational efficiencies.

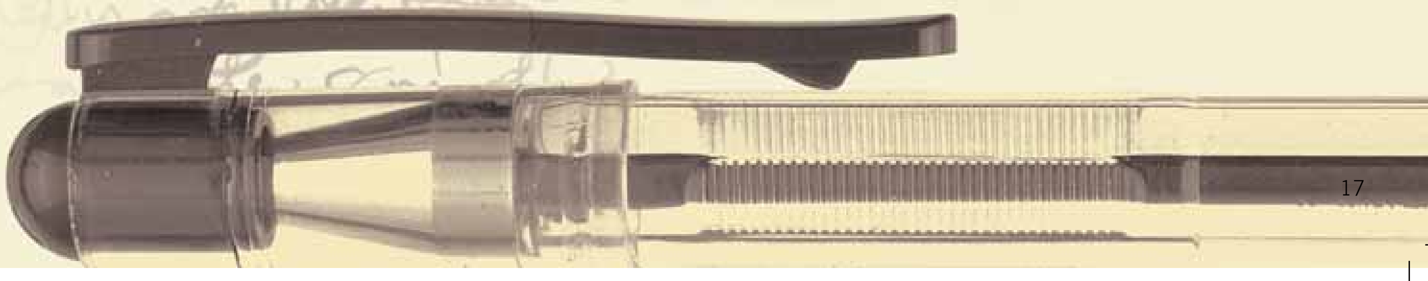
As a result, even as our topline grew 46%, our bottomline grew 20%, which is a fair achievement, given the challenges that we addressed.

Q. What challenges did the Company face?

Some of the challenges addressed by the Company during the year under review were:

• Spiraling raw material costs

• Competitive price segment (Rs. 2-15), marked by unethical practices adopted by some smaller unorganised players.



Our vision is to be ranked as one of the top three players in India's writing instrument industry

• Launch of new products by several competitors, creating a crowded marketplace.

• Opening up of new markets in smaller towns, requiring extensive distribution and reach.

• Product and brand mortality which made carving away the largest market share in the shortest time imperative.

Q. How did the Company address these challenges?

The Company embarked on the following counter-risking initiatives:

• Investment in a wider sales and distribution network to reach emerging demand pockets with a first-mover's advantage.

• Enhanced quality and stronger brand equity to fight a price war.

• Accelerated product development leading to the introduction of six new models.

• Exports to quality respecting countries and customers, helping counter price-driven Chinese products with enhanced quality.

As a result, the Company performed better than its industry peers and emerged stronger during the year under review.

Q. What strengths are likely to ensure sustainable growth?

At Linc, our big strength has always been the delivery of 'value for money' products to price-conscious consumers through the creation of new affordable price points without compromising quality.

Linc's distribution is one of the most comprehensive in India, helping the Company create new markets and expand existing ones like the manner in which Linc's Ocean Gel did for the gel pen market.

Linc's growing production capacity and widening product portfolio helped it capture every upturn in demand. Besides, the Company's successful tie-ups with Uniball, Bensia and Lamy enhanced choice.

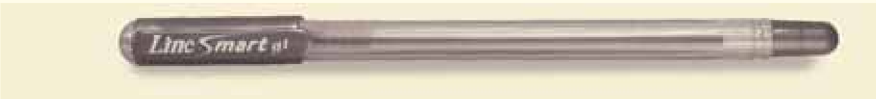
Last, but not the least, the Company's quality-driven exports to brand-enhancing customers helped it reach out to Wal-Mart and W.H. Smith, among the most demanding buyers in the world.

Q. How does the management expect to enhance shareholder value?

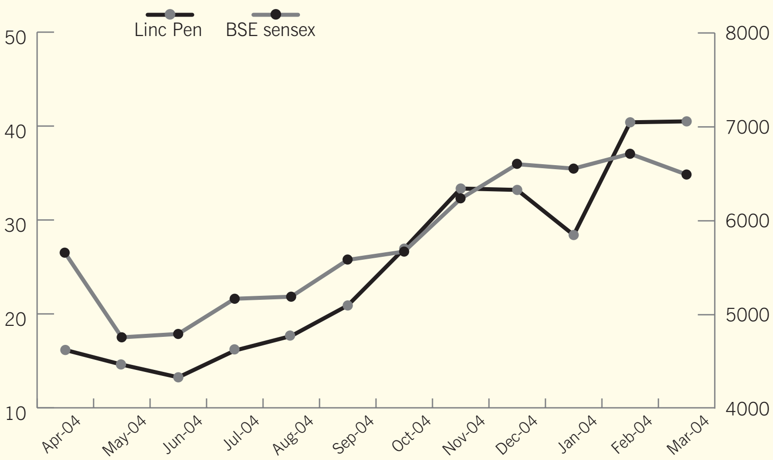
Our vision is to be ranked as one of the top three players in India's writing instrument industry – estimated at Rs. 1800 cr, of which the organised players account for about Rs. 1300-1400 cr — through accelerated product introduction, stronger branding, extension into new markets and a wider value chain through a consolidation of our position in the wooden pencils segment. At Linc, we are optimistic that this will strengthen the brand loyalty for our products in the minds of our customers in what has become a 'me-too' business, helping us sell faster and move to higher price segments.

We are optimistic that the benefit of this will translate into an increased bottomline, the benefit of which we will share with our shareholders through an attractive payout that reconciles our need to plough resources back into our business and enhance value for those who own shares in our Company.

The Linc share



Linc succeeded in meeting the needs of its shareholders through a reasonable increase in profit, market capitalisation and dividend during 2004-5.



During 2004-5, the BSE Sensex appreciated 16.14% from 5590.60 on 31.3.2004 to 6492.82 on 31.3.2005. During the period, the Linc share outperformed market-growth by rising 191.37% from Rs. 13.90 to Rs. 40.50.

The extraordinary growth of the Linc share was mainly on account of enhanced investor confidence in the Company. On 31st March 2005, the market capitalisation of Linc Pen & Plastics Ltd. was Rs. 32.40 cr on the Stock Exchange, Mumbai. Linc Pen was also listed on the Calcutta Stock Exchange.

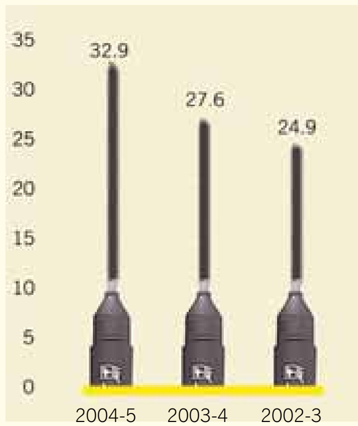
Highest and lowest share prices (Rs.)

Year	High	Low	Year-end price
2002-3	12.20	6.50	6.70
2003-4	20.25	5.60	13.90
2004-5	45.80	12.55	40.50

Dividends

In response to the improved working in 2004-5, the Company recommended a final dividend of 17% (against a dividend of 12% for 2003-4). If approved by shareholders, the total dividend paid (incl. tax) for 2004-5 will be Rs. 1.55 cr, a payout of 32.9%.

Dividend payout (%)



Total shareholder return (TSR)

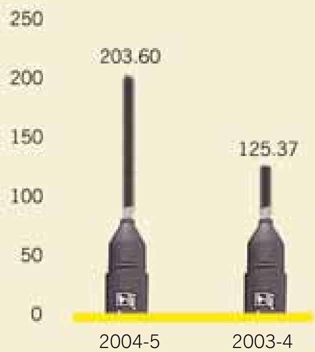
Linc Pen recorded a TSR of 203.60% in 2004-5, indicating that it adequately enhanced value in the hands of its owners. Total shareholder return was calculated by deducting the opening capital value from the sum of the closing capital value and added to the dividend payout, thereafter divided by the opening capital value and expressed as a percentage.

(Rs.)

Parameter	2004-5	2003-4
Closing price per share	40.50	13.90
(+) Dividend	1.70	1.20
	42.20	15.10
(-) Opening price per share	13.90	6.70
TSR	28.30	8.40
TSR (%)	203.60	125.37

Linc reported a positive economic value-added (EVA) of Rs. 256.11 lacs for 2004-5

TSR (%)



Economic value-added

Linc reported a positive economic value-added (EVA) of Rs. 256.11 lacs for 2004-5, evidence of the fact that it exceeded shareholder expectations during the year under review.

The EVA – structured by Stern, Stewart & Co.– is an internationally respected value measurement tool, unique in a number of ways. It accounts for the profit generated by a Company in excess of the return that it would have earned from a risk-free instrument. It arrives at this number through a unique methodology: it factors in the cost of debt and equity through techniques that measure them separately, as opposed to the conventionally cumulative measurement.

The following considerations were used in calculating the Company's EVA for 2004-5:

• We ignored the actual outgo towards shareholders (dividend etc.), for the cost of shareholders' funds, and a market-driven cost of equity funds was considered instead.

• We arrived at the cost of equity by using the beta-factor (0.3) for the Company's scrip. A risk-free return of 6% was taken. To this was added the product of the beta factor and the stock market risk premium.

• We took the stock market risk premium, what investors expect to earn over the risk free return from the market as 10%.

• We expected investors to earn (over and above the risk-free return of 6%) the product of the premium and the beta from the Company scrip in the financial year under review — the correct cost of equity funds to consider for the EVA calculation.

We took the market capitalisation as on 31st March, 2005 as the base for calculating the rupee cost of equity.

Economic value-added

(Rs. in lacs)

	2003	2004	2005
a. EBIT	378.56	551.68	694.78
b. Total firm value	2,117.63	2,574.24	4,972.29
c. Weighted average cost of capital	7.23	7.42	7.91
d. Average capital employed	3,347.20	3,451.35	4,023.71
e. Cost of Capital	242.11	256.12	318.31
f. Adjusted Tax	56.03	67.80	120.36
Economic value added [a – (e+f)]	**80.42**	**227.76**	**256.11**

Our performance in US$

(in million)

Year	2004-5	2003-4
Source of Funds		
Share Capital	1.83	1.82
Reserves & Surplus	3.77	3.02
Net worth	5.59	4.84
Borrowings	4.79	3.09
Funds Employed	**10.38**	**7.93**
Operating Results		
Sales	27.80	18.98
Exports	3.42	2.31
PBIDT	**2.10**	**1.66**
Interest	0.28	0.24
Depreciation	0.51	0.40
Profit before tax	1.30	1.02
Profit after tax	**1.08**	**0.89**
Dividend	**17%**	**12%**
Conversion rate (INR per US$)	***43.83***	***44.07***

Management's Discussion and Analysis

Nature of business

Linc Pen & Plastics Ltd., a Kolkata-based Company, is engaged in the manufacture and marketing of writing instruments and stationery items; it also has a strategic tie-up with esteemed international companies like Mitsubishi Pencils Co. (Japan), Bensia (Taiwan) and Lamy Pens (Germany). In 2004-5, the Company extended into direct retail through its 'Just Linc' outlets.

Industry overview

The size of the writing instruments industry in India is estimated at about Rs. 1800 cr, of which organised players account for about Rs.1300-1400 cr and unorganised players for the rest. The industry grew about 15% in 2004-5, largely driven by the growth of the organised sector, indicating that consumers are responding favourably to quality and branding. It is expected that with growing promotion, easy availability and affordability, branded offtake will accelerate and help the organised sector eat into unorganised presence.

Interestingly, India's writing instruments industry is reserved for the small-scale sector with a statutory limit

The average realisation per pen increased from Rs. 1·95 to Rs. 2·06, a growth of 5·6%.

on the maximum investment in plant and machinery at Rs. 5 cr. As a result, critical pen components like refills are manufactured in-house, while all non-critical components are outsourced, the vendors being supported through the supply of moulds and raw materials.

Most Indian companies cater to the 'value for money' segment up to Rs. 20 each, while international players cater to the premium segment operating through exclusive distributors.

Rationale for presence

The Company's rationale for presence in the writing instruments industry and in its value-for-money segment is justified around the following reasons:

• A preference for ballpoint over ink pens because they are cheaper, convenient to use and less prone to leaks.

• A preference for affordable branded products over non-branded ones.

• The rising literacy rate in India leading to increasing offtake.

• Gradual growth of the premium pen segment, serving as a rationale for partnerships with Uniball and Lamy.

Threats and opportunities

Threats to India's writing instruments industry comprise the following:

• Rising oil prices leading to increased cost of raw materials.

• Increasing number of domestic players enhancing competition leading to a probable price war.

• Increasing influx of Chinese products, threatening the domestic and international markets.

However, the following opportunities will help the industry grow manifold:

• Rising raw material costs may compel the exit of weak unorganised players.

• An increasing number of domestic players will provide strong companies with opportunities for attractive export, increased cash flow and enhanced sales.

• Effective anti-dumping laws in many countries will counter increasing Chinese entry, serving as an increased opportunity for Indian companies.

• Increasing respect for quality will serve as a hedge against Chinese imports.

Revenue

The Company sustained its revenue growth from Rs. 51.48 cr in 2000-1 to Rs. 121.83 cr in 2004-5 at a CAGR of

Top three Channel Partners were from
Kolkata ¥ Allahabad ¥ Delhi

24%. It addressed four product segments – ball pens, gel pens, stationery (sketch pens, geometry boxes etc.) including pencils (wooden and non-sharpening) and roller pens (Uniball models).

Regionwise performance

Market zone	per cent of total sales, 2004-5	2003-4
North zone	39	40
East zone	38	39
West zone	14	13
South zone	9	8

During 2004-5, the Company sold 431.8 mn pens as compared to 319.7 mn pens in 2003-4, a growth of 35% in volume. About 80% of the total sale came from economically priced pens. Gel pens contributed about 35% of the total turnover of the Company. The average realisation per pen increased from Rs. 1.95 to Rs. 2.06, a growth of 5.6% .

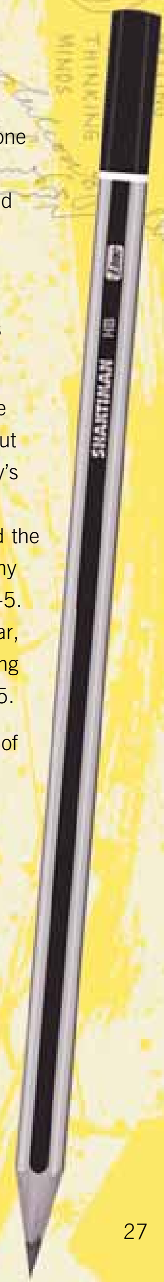
Ball pens: Ball pens represented the largest selling models in India's writing instruments industry. These comprised direct fill as well as refillable pens.

The Company is a market leader in the direct fill — 'use and throw' — pen segment, its model Starline being one of the top performers over the last decade. Armed with a Swiss tip and German ink, Starline delivered an average writing length of five kilometers. This value-for-money product successfully maintained its brand-loyalty.

Refillable pens were made reusable through the replacement of worn-out refills with new ones, the Company's top-performers being Smart and retractable models like Tip Top and the newly launched Ultra. The Company launched six new models in 2004-5. Linc Ultra, launched during the year, emerged as one of the top 10 selling models for the Company in 2004-5.

A product of Mitsubishi Pencil Co. of Japan, Uni SA-R enjoys a considerable brand loyalty among students, reporting a consistent sales each year.

Gel pens: Gel pens represented the fastest growing segment in India's writing instruments industry. These pens provided the writing quality of a fountain pen with the convenience of refill changeability as in a ball pen. Most gel pen models were made with a transparent barrel



to indicate the ink level in the refill. Because of the increased ink flow, most gel pens entailed a quicker replacement but due to their utility enjoyed an increased offtake.

Ocean Gel was Linc's star performer model in this segment. Due to its superior quality and affordability at Rs. 5 per unit, the model strengthened its brand loyalty among students. It also strengthened its presence through the launch of Sentiment and Ultima, priced at Rs. 6 per unit, expecting to dominate the segment through the launch of more pen models at affordable prices for price-conscious consumers.

Roller pens: These pens, technologically upgraded writing instruments with liquid ink used in them with the help of an ink-reservoir, provided the writing pleasure of a traditional ink pen. Linc marketed Uniball pens – world's leader in this category – and the segment contributed about 10% to the Company's total sales in 2004-5. This segment catered to a niche customer base and expects to maintain its contribution through increased revenues.

Refills: The Company's refill sales grew by 48.5% in volume and 36.1% in value in 2004-5 compared to a growth rate of 17.6% and 28.9% respectively in 2003-4. The number of refills sold during 2004-5 was 255.3 mn, compared to 171.9 mn in 2003-4.

Pencils: The Company marketed non-sharpening pencils in an exclusive tie-up with M/s Bensia of Taiwan since 1992. Recently, it entered the wooden pencils segment with the launch of its first brand – Markline – in 2004-5. With the help of a major contribution from wooden pencils, the Company sold 20.4 mn pencils during 2004-5, compared to 6.7 mn in 2003-4, a growth of 202.2% year-on-year. It contributed about 3% to the topline of the Company. The total market for wooden pencils is estimated at Rs. 400 cr and the Company expects the segment to make a respectable contribution to its topline and bottomline.

Stationery: The Company, which markets complementary products like gumsticks, geometry sets, sketch pens, rulers, erasers, hi-lighters, correction pen, crayons and marker pens,

The Company's raw material requirement is meticulously Planned a month in advance on the basis of the production Planned for Subsequent month, based on demand forcasts by the Sales and marketing division.

accounted for 2% of total revenues in 2004-5. The Company expects to leverage its distribution network to increase the share of these products in its overall sales mix.

Raw material management

Linc believes in stretching the rupee furthest, reflected in its raw material procurement. The Company's raw material requirement is meticulously planned a month in advance on the basis of the production planned for the subsequent month, derived from demand forecasts by the sales and marketing division. Following this, the centralised purchase department at Kolkata places enquiries on suppliers corresponding to the indents placed by the manufacturing units. The centralised office appoints suppliers centrally on the basis of quality, cost and delivery schedules. Advantage: a lower raw material cost due to bulk purchases from domestic and international suppliers.

Raw materials

The Company's principal raw materials comprised plastic granules, tips, inks, stamping foils, springs and packing material. The Company procured these from reputed manufacturers / suppliers, gradually shifting procurement from imported to indigenous vendors in exchange for cost reduction without any quality compromise. However, it continued to selectively import inks and tips due to their superior quality over indigenous suppliers. Raw materials accounted for Rs. 54 cr in 2004-5 against Rs. 39 cr in 2003-4, an increase of 38% due to increased production by 34% in 2004-5 over the previous year.

Plastic granules: This primary raw material, used in the preparation of the body and cap of the pen and refill, constituted 25.6% of the total raw material cost in 2004-5 against 18.9% in 2003-4. Linc used various types of plastic granules viz. polypropylene, high-density polyethylene, polystyrene, styrene acrylonitrile copolymer (SAN) and poly carbonate (PC). While most of the material was sourced locally, the import of SAN and PC resulted in attractive savings.

Inks: The Company's oil-based gel ink and normal ink was sourced indigenously and imported from

Germany and Japan, normal gel inks were imported from Japan and colour gel inks from Korea. The Company undertook the following initiatives to reduce costs in 2004-5:

• Purchased inks with a longer shelf life, increasing the storage and usage shelf life of the pen.

• Developed gel pens of 50 ink colours for the first time in India.

• Negotiated better prices with the overseas suppliers of inks due to an increased volume of purchases.

Tips: Indian-made tips emerged as a preferred alternative to the imported variety, tip prices depending on their shape and configuration. As Indian tips proved globally popular, a paucity in the Indian market strengthened their prices.

Packing materials: Linc enhanced the safety and deliverability of its products through world-class packaging, using various grades of plastic, craft paper and cardboard. The Company experimented successfully with various packaging types like pet jars, PVC wallets, acetate boxes, polybags, blisters, PDQ, tumblers, dumbpin and cardboard box packing.

Moulds: The Company imported Rs. 2.74 cr of moulds from Korea in 2004-5 due to their superior quality, utilizing them optimally through a high capacity utilisation and prudent use of existing moulds to create new models.

Quality control

At Linc, a strict quality control translated into world-class quality, reflected in the Company's growing international presence and ongoing supply relationships for global giants like Wal-Mart and W.H. Smith. As a mark of this quality commitment, the Company's Goa plant received the ISO 9001:2000 certification.

As a quality process, every pen was checked for its conformance to internationally acceptable standards across tip, writing flow, leakage control and ink-tip co-ordination. The Company employed comprehensive checks for the moulded and assembled parts, developed in-house and outsourced. A quality control inspector checked the quality at the outsourcing vendor's premises and the quality team ensured a complete check of goods prior to dispatch, reducing rejections.

As a result of the Company's uncompromising quality outlook, Wal-Mart provided a self-certification approval to the Company in 2004-5, eliminating the pre-shipment inspection of goods by the designated authorities from Wal-Mart and vindicating the Company's robust in-house quality practices.

Cost management

The Company's cost control in 2004-5 comprised the following initiatives:

• Optimal capacity utilisation of production facilities, leading to enhanced economies of scale.

• Optimal utilisation of existing moulds, leading to low cost product development.

• Energy saving initiatives, resulting in a saving of about 5% in power and fuel costs.

• Stronger control ensuring an extensive writing check of every product prior to dispatch.

• Efficient inventory management, reducing raw material inventory from 66 to 55 days of turnover based on an accurate production forecast, material planning, timely order placement and uninterrupted production.

Manufacturing process

There are three stages in the manufacture of a pen: moulding, refill assembly and final assembly. In the moulding stage, readymade pieces of desired shape are generated through the moulds. In refill assembly, the hollow tubes are extruded and cut into required lengths in the extrusion moulding process, the tips are attached to the tubs and the ink is filled and centrifuged. During final assembly, once the shells and refill are ready, the pen is assembled. In the pursuit of cost-effectiveness, the Company outsourced various processes to small local vendors with accompanying process checks.

Certified factories

The Company's factories are socially, labour and quality compliant, enabling the Company to maintain high product and process quality standards.

The company chose to play the superior quality card, entering US, UK, Brazil and Turkey, countries with a strong respect for quality and with anti-dumping restrictions inplace against chinese products.

Marketing and distribution

Pens are a fast moving product available in stationery, grocery and medicine stores across the country. Much of the demand for pens in the segment that the Company caters to is derived from a distributor push due to low brand loyalty. This made it imperative for the Linc brand to be seen on shelves leading to quicker offtake.

Linc enjoyed one of the most comprehensive three-tiered dealer and distribution networks, ensuring that its products were available throughout the country. Besides, the Company enhanced its retail presence through Just Linc centers that enhanced brand awareness, enabling it to market high-end pens of partner brands (Lamy and Mitsubishi) and access a direct consumer understanding.

In 2004-5, Linc deepened its semi-urban and rural reach through the following initiatives:

- Appointed seven new channel partners.
- Opened Just Linc centres in Mumbai and Kolkata.
- Marketed its own brand of wooden pencils, which necessitated the addition of 11 channel partners.
- Increased distributors from 992 in 2003-4 to 1217 in 2004-5.
- Entered most Indian towns with a population of at least 50,000.
- Increased its market presence without reducing prices.

During the last two years, the Company concentrated on the eastern and northern zones and as a result, emerged as the second largest player in these zones. The Company also intensified its presence in southern and western India and aims to emerge as a market leader in these zones as well.

Exports

Linc's exports increased 47% in 2004-5 in the face of low cost competition from China. The Company chose to play the superior quality card, entering US, UK, Brazil and Turkey, countries with a strong respect for quality and with anti-dumping restrictions in place against Chinese products.

The Company also exported to superstores and big importers under their brand name as opposed to the common approach of supplying in its own brand name to small vendors, resulting in the following:

- Large orders following product acceptance.
- Faster product replenishment due to higher footfalls.
- Quicker payments, increased knowledge of consumer tastes and demand trends.
- Greater prospects of business expansion without incurring marketing expenses.

The Company secured an order from W.H. Smith within six months of negotiation, compared to the usual process of two years, followed by repeat orders. The Company entered Turkey and Brazil in 2004-5 with orders of US$100,000 each.

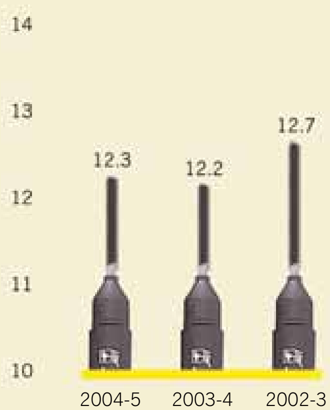
Linc's export policy

- Convert contacts into contracts.
- Increase each customer account.
- Make safe sales covered by timely receipts.
- Sales to super / specialised stationery stores and departmental stores over small importers.
- Sell to quality-driven buyers and countries.
- Enter emerging markets to gain a first-mover advantage.

Reasons for growth in 2004-5

- Reaching out to prospective clients.
- Offering a wide and customised product range at competitive prices.
- Enjoying a first mover advantage in new countries.
- Exporting products to manufacturers, super stores, specialised stationery chains and retail shops.
- Enhancing dependability through timely delivery.

Exports / Total Sales (%)



Branding

The Company invested Rs. 3.42 cr in advertising in 2004-5 (Rs. 2.05 cr in 2003-4) to enhance its brand awareness on television, hoardings, radio, magazines, newspapers and posters. The use of differentiated media translated into cost-effective visibility.

In 2004-5, Linc strengthened its brand recall as an instrument that facilitated smoother writing. The Company's campaign 'Likho chaka-chak,' aired in the electronic and print media, highlighted the brand's USP i.e. smoother and better handwriting. Through the prudent use of three advertisement films, the Company strengthened its product recall in the mind of its target customers.

In 2004-5, the Company, in association with Hungama TV, introduced 'Gully Cricket,' a cricket competition for the 6-to-18 age group across the country. This initiative helped register Linc with the target audience at no significant cost. The Company strengthened its corporate brand building through a participation in fairs and exhibitions.

Besides, the Company promoted literacy through its flagship annual event 'Spellinc,' which became one of the most awaited inter-school annual competitions in West Bengal. This competition represents the Company's quest to promote education in the society. The year's Spellinc was held on December 20, 2004 at Rabindra Sadan, Kolkata and 125 schools participated in the event. The commissioning of 'Just Linc' retail outlets strengthened the Company's brand recall in consumer minds.

Best Sales Head

- Nayandeep Dutta, (W.B.)
- Dinesh Agarwal, (Nagpur)
- Vinod Kr. Dhawan, (U.P/ Uttaranchal)

Human resources

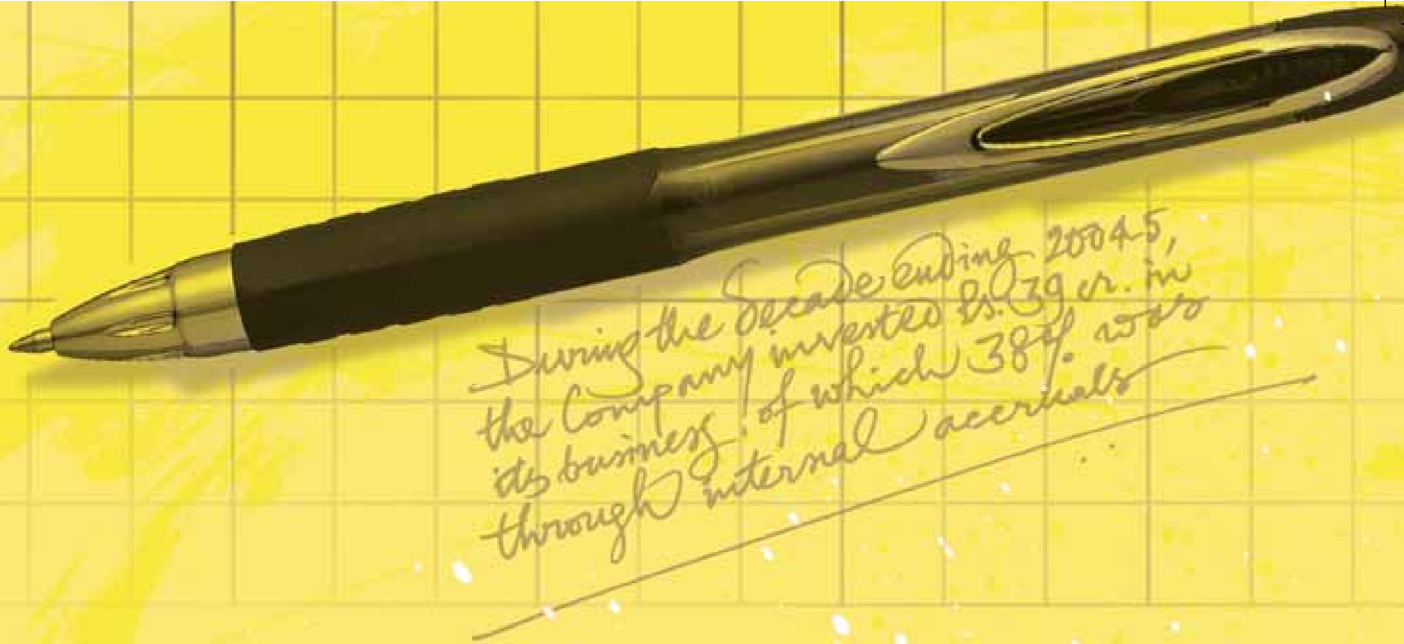
Linc is a young organisation with an average age of 30 years across 390 employees. The Company recruited on the basis of attitude, aptitude, education and experience dovetailed with a platform for employee growth. As a training initiative, the Company sent employees to South Korea for advanced training in addition to induction, on-the-job and ongoing unit-based training programmes. The Company's transparent appraisal policy was marked by a bi-partite process, resulting in an active and timely dialogue between appraiser and appraisee.

Outlook

The Company expects to consolidate its position as a producer and supplier of quality goods at affordable prices. The Indian writing instruments industry is expected to grow by 15% over the next five years. The education cess of 2%, levied by the government is expected to emerge as a growth driver. The Company expects to deepen its reach to semi-rural areas with a wider range of value-added products. It expects to consolidate its position through direct retail (Just Linc) and the launch of wooden pencils (Markline), emerging among the top three players over the next three years.

The Company's growth strategy, 2005-6

- Network expansion in domestic market.
- Focus on exports.
- Invest in brand building.
- Leverage existing network by introducing related stationery products.
- Increase production capacities at existing locations; set up new units.



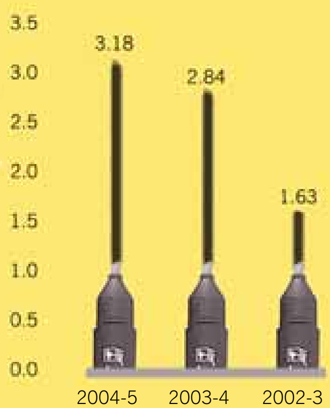
Finance overview

Own funds

Equity capital: The Company's equity share capital comprised 80,00,300 equity shares of a face value of Rs. 10 each. The promoters held 56.57% of the total subscribed and paid-up capital of the Company. In 2004-5, Sundaram Mutual Fund, a reputed mid-cap fund, bought 1.79% of the Company's equity share (1,43,400 shares), indicating growing investor trust. Besides, the Company's investor base increased from 3046 to 3604, indicating a wider share holding.

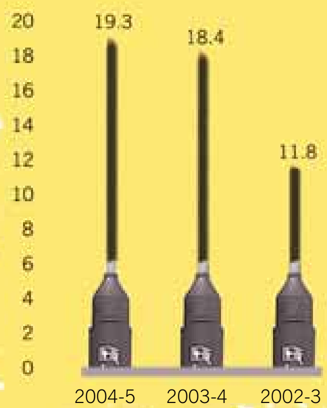
Reserves: Reserves represent cumulative earnings used for prospective business deployment, the lowest cost of funds especially when created out of accruals. Reserves increased from Rs. 13.32 cr in 2003-4 to Rs. 16.50 cr in 2004-5.

Retained earnings (Rs./cr)



During the decade ending 2004-5, the Company invested Rs. 39 cr in its business, of which 34% was through internal accruals. This consistent ploughback and subsequent performance translated into an improved return on net worth.

Return on net worth (%)



Margins

The Company's EBIDTA margins were threatened by increasing raw material costs in 2004-5, declining from 8.7% in 2003-4 to 7.5% in 2004-5. However, the Company reported a 20% increase in profit after tax due to increased sales and controlled overheads.

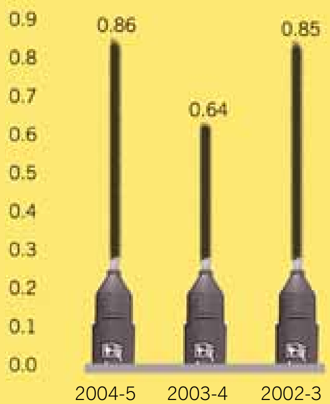
Loan costs

In 2004-5, Linc embarked on the following to rationalise debt cost:

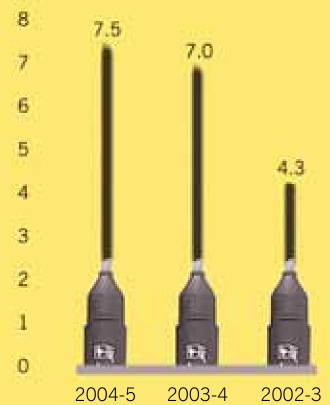
- Credit rating of P1 by CRISIL for its commercial paper.
- Reduction in the coupon rate on working capital loans by 75 basis points on account of an improved credit rating.
- Conversion of core working capital units into FCNR (B) loans.
- Improvement in the lead bank's (SBI) rating from SB3 to SB2.

As a result, although interest outflow increased from Rs. 1.04 cr in 2003-4 to Rs. 1.23 cr in 2004-5 due to an increase in borrowings, interest cover increased from 7.0 in 2003-4 to 7.5 in 2004-5.

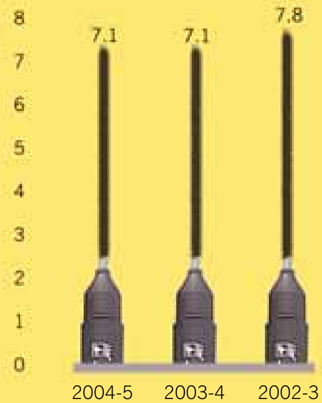
Debt-equity ratio



Interest coverage ratio



Average debt cost (%)

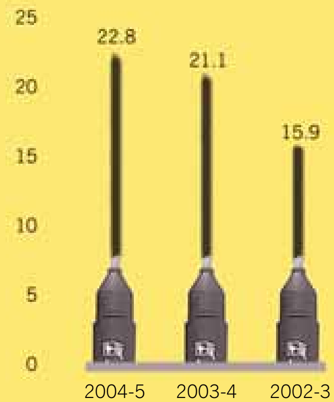


Capital employed

Over the years, the Company sweated both man and machine intelligently, moving towards value-added products, improved margins and enhanced productivity. The Company's employed capital increased from Rs. 29.80 cr in 2000-1 to Rs. 45.50 cr in 2004-5, driven primarily by an increase in its earned reserves and surplus. The impact is visible in the numbers: while average employed capital increased at a CAGR of 13.12% over the last five years, PBIT grew 8.75% over the same period, resulting in a higher return on capital.

ROCE (%)

(EBITDA / Average capital employed)



Fixed assets

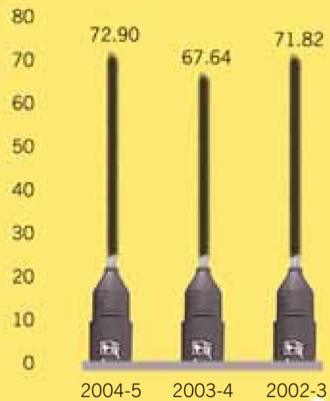
Linc's gross block increased from Rs. 16.45 cr in 2003-4 to Rs. 20.58 cr in 2004-5, reflecting the purchase of new moulds and machines financed largely out of internal accruals.

Working capital

The importance of working capital in the writing instruments industry continued to be critical in the purchase of raw materials that were inflationary and dependent on rising oil prices, making it imperative to adequately stock better to counter price increases and probable interruptions in supply.

The Company strengthened its working capital management, as a result of which working capital outlay increased 37% (from Rs. 24.06 cr in 2003-4 to Rs. 32.89 cr in 2004-5) and turnover increased 46%.

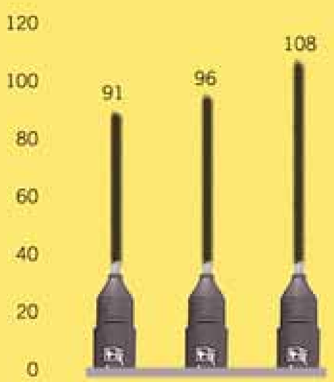
Net working capital / Total assets (%)



Inventory

The Company's total inventory increased from Rs. 21.99 cr at the close of 2003-4 to Rs. 30.48 cr at the close of 2004-5 on account of its growing business, though as a proportion of business it declined on account of improved management and prudent production planning. Raw material and finished goods inventory stood at Rs. 18.17 cr and Rs. 5.85 cr respectively as on 31st March, 2005 compared to Rs. 15.04 cr and Rs. 3.99 cr as on 31st March, 2004. The Company reduced its inventory turnover from 96 days in 2003-4 to 91 days in 2004-5 as a result of efficient production planning. The year-end inventory was higher on account of pending export orders and slack offtake due to confusion in the trade over the implementation and impact of value-added tax.

Inventory (days)



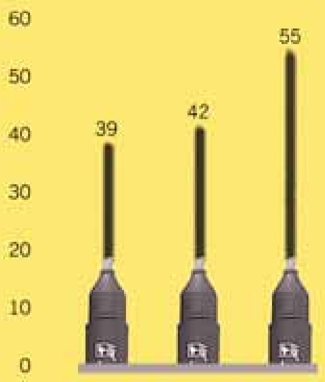
Debtors

In a business where an average working day generates a turnover of around Rs. 41 lakhs, the Company must sell with a certainty that its debtors will remit proceeds on schedule. Any disruption can inflate working capital requirements and, in turn, drive up the cost of funds for the Company.

At Linc, debtors accounted for 10.6% of the total sales in 2004-5. The safety of these debtors is reflected in insignificant bad debts at Rs. 0.53 lacs.

Prudent debtor management, arising out of cordial relations with the Company's prime customers (dealers and distributors), enabled the Company to reduce its outstanding receivables position from 42 days in 2003-4 to 39 days in 2004-5. The position would have been much better but for the increase in export debtors, which were at 2.32 cr compared to 0.89 cr in the previous year on account of year-end shipments.

Debtor (days)



Creditors

The Company's total creditors stood at Rs. 11.78 cr. as on 31st March, 2005 against Rs. 9.49 cr. as on 31st March, 2004. The increase was mainly due to higher raw material prices coupled with increased production during the year under review.

Forex management

The Company's import bill was Rs. 18.63 cr in 2004-5, capital imports amounting to Rs. 2.56 cr and raw materials imports to Rs. 8.20 cr. Imports were made in Euro, the US Dollar and Yen while exports were made in the US Dollar and Pound Sterling. The Company rationalised its forex fluctuations due to efficient fund management and hedging initiatives, whenever the need arose. It managed forex earnings of Rs. 14.66 cr during the year.

Social initiatives

Linc strengthened its social responsibility through the following initiatives:

• Support to charitable institutions in Kolkata with a free supply of pens.

• Sponsorship of kiosks with first-aid boxes in about 50 schools across Chennai, complying with International Red Cross specifications.

• Commissioning traffic education displays outside 50 Bangalore schools aimed at spreading road safety awareness among students.

• Conduct of the annual Spellinc event, attracting participation from 125 schools across West Bengal. Twelve teams made it to the grand finale on December 20, 2004 and the competition was won by Ashok Hall Higher Secondary School for Girls.

The winners of Spellinc 2004

1st	**Ashok Hall Higher Secondary School for Girls**	
	Represented by :	Annesha Sil
		Brinda Dasgupta
		Priyanka Kumar
2nd	**Calcutta Boys' School**	
	Represented by :	Anubhav Dasgupta
		Anwesh Majumdar
		Panchjanya Banerjee
3rd	**Jewish Girls School**	
	Represented by :	Afrin Idris
		Rudrani Dasgupta
		Eram Baeshin
4th	**Modern High School for Girls**	
	Represented by :	Sahana Sriniwasan
		Sreeja Gupta
		Sohini Banerjee

Risk management at Linc

1 Raw material risk

The use of polymer raw material enhanced the Company's input cost at a time when oil prices strengthened, affecting margins.

Risk mitigation

The Company protected itself through volume-driven fixed price contracts with vendors, following which it had no option but to pass on the cost increase to its consumers. The latter phenomenon affected the industry in general.

2 Perception risk

The absence of credible industry data in an industry characterised by unorganised players makes the business difficult to finance.

Risk mitigation

Linc is positioning itself as a brand-led FMCG player supported by a wide and deep distribution network, in recognition of which it was recognised as the best SME in the FMCG segment at the Emerging India Awards, organised by CNBC-TV18 in 2005. Besides, the Company's exports to compliance-conscious customers like Wal-Mart and W.H. Smith enhanced its corporate image.

3 Market concentration risk

A focus on developed markets like the US and UK could prevent the Company from accessing growing demand in other countries.

Risk mitigation

The Company exported products to about 30 countries, entering two new countries a year on average. In 2004-5, it exported products for the first time to Turkey and Brazil. The Company's business development team scouted for emerging global opportunities outside the developed markets, as a result of which no single country accounted for more than 5% of its turnover in 2004-5 (except India).

4 Forex fluctuation risk

The Company engaged in forex transactions worth Rs. 33.29 cr in 2004-5, exposing it to currency fluctuations that could potentially affect profitability.

Risk mitigation

A major part of the Company's sales were made in India, protecting it from currency movements. However, currency movements affected the Indian cost of raw material in an indirect way, affecting procurement costs for all Indian pen manufacturers. For instance, the strengthening of the Indian currency against the US dollar made direct imports cheaper while they made exports less remunerative, a hedge. Besides, the Company entered into converting its forex earnings into Indian currency with speed to counter any probable impact of rupee appreciation.

5 Competition risk

In an unorganised market, the Company faced competition risk from smaller players falling outside the country's tax bracket with a business model revolving around plagiary as opposed to genuine design development.

Risk mitigation

The Company embarked on the practice of protecting its designs through copyright / trademark registrations.

6 Protection risk

The writing instruments industry in India is protected by the government through a reservation for small and medium enterprises and with corresponding restrictions on plant and machinery investments. Should the government remove this protection, the industry could attract the entry of large companies.

Risk mitigation

The removal of this protection could affect the industry at large. Being a specialised brand-led player, the Company is optimistic that it will protect and enhance its market share in spite of the entry of new players.

7 Finance risk

In a business dominated by the use of working capital – 72% of the total employed capital in 2004-5 - high cost funds could dent profitability.

Risk mitigation

The Company successfully mobilised low cost loans. Recently, the Company received P1 credit rating by CRISIL, making it eligible to issue low cost commercial paper. Besides, the Company actively reduced its average debt cost through a judicial blend of FCNRB loans, replacing higher cost rupee debt.

8 Price decline risk

The Company belongs to a segment, which primarily caters to price-conscious consumers. The entry of new players may lead to a disturbance in the short-tem, resulting in a decline of the market price for pens.

Risk mitigation

The Company promoted its brand on account of its superior quality, coupled with its value-for-money proposition leading to loyalty.

9 Promotion-dependence risk

Being in an industry cluttered with large number of players, the role of advertising and promotion became crucial. As the segment was governed by small and medium enterprises, the risk of promotion-dependant products could lead to an increase in expenditure, not commensurate with an increase in revenues.

Risk mitigation

The Company invested prudently in advertising to strengthen its brand leading to enhanced exposure and protected margins.

10 Globalisation risk

Increased competition, especially from China, could dent profitability.

Risk mitigation

The Company manufactured a range of products superior than cheap imports. Besides, a number of countries protected themselves from the dumping of Chinese products, making it possible for Linc to explore these markets. As far as sales within India are concerned, the Company leveraged its rich knowledge of dealers, regionwise demand and the general marketplace to counter cheap imports.

Directors' *profile*

Mr. Sohan Lal Kochar (73)

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 inception of the Company.

Mr. Prahlad Rai Agarwala (67)

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.

Mr. Naresh Pachisia (42)

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

Mr. Kedar Nath Ranasaria (71)

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 (56)

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.

Mr. Aloke Jalan (36)

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

Mr. Prakash Jalan (39)

Wholetime 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.

Mr. Deepak Jalan (43)

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.

Directors' report

Dear Shareholders

Your Directors have pleasure in presenting their 11th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2005.

Financial Highlights

(Rs.in lacs)

	2004-5	2003-4
Sales & Other Operational Income	12365.65	8529.61
Other Income	29.89	25.01
Profit before depreciation, interest and taxation	918.32	729.77
Interest	123.06	103.69
Depreciation	223.53	178.09
Profit before Tax	571.73	447.99
Provision for Taxation - Current	96.00	46.00
- Deferred	3.05	9.06
Profit after Tax	472.68	392.93
Add: Credit Balance of the previous year	235.77	348.59
Income Tax for earlier years	–	2.80
Amount available for Appropriation	708.45	744.32
Transfer to General Reserve	400.00	400.00
Proposed Dividend	136.01	96.00
Corporate Tax on Dividend	19.07	12.55
Balance carried to Balance Sheet	153.37	235.77

Dividend

Your Directors recommend a Dividend of 17% (previous year 12%) for the year ended 31st March, 2005.

Financial performance

Performance: During the year under review, the Company's Sales (incl. Other Operational Income) increased by 45% to Rs.12365.65 Lacs as compared to Rs.8529.61 Lacs during the preceding year. The Profit after Tax during the year however increased by 20.3% to Rs.472.68 Lacs as compared to Rs.392.93 Lacs in the preceding year. The Company adopted aggressive marketing strategies. The advertisement and promotional spendings increased across all brands. In percentage terms, however these were down at 5.6% of the Sales in 2004-5 as compared to 6.6% in the preceeding year, in view of topline growth.

Loan Cost : The Interest cost was up by 18.7% at 123.06 Lacs in 2004-5 from Rs.103.69 Lacs in 2003-4. The increase was primarily on account of additional borrowings for working capital requirements. The Interest / turnover was 1.0% and Interest Cover was 7.5 in 2004-5, which was 1.2% and 7.0 respectively in 2003-4.

Working Capital : The year end Debtors comprise 10.6% (39 days) and the inventory consist of 25% (91 days) of the sales for the year. In the previous year the Debtors were 11.5% (42 Days) and Inventory 26.3 % (96 Days) of the Sales. The Creditors were 48 days of purchase as compared to 61 days in the previous year.

Fixed Assets : The Company spent Rs.379.93 Lacs on acquisition of Fixed Assets. These were financed mainly out of internal accruals.

Recognition / Awards

The Company received Export House recognition w.e.f. 01.04.04 from Ministry of Commerce & Industry, Govt. of India.

During the year the CRISIL assigned a "P1" rating to the 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 for the Best SME in FMCG, Food and Agri Business Category, organized by CNBC TV18. This is the 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 under review. The Company is also exploring other locations with better infrastructure and facilities.

Outlook

The Company is expected to maintain the growth momentum in ensuing years. In Domestic Market, the Company is increasing the penetration of its sales / distribution network backed by aggressive marketing initiatives to garner larger market share. In Export Market, the Company is trying to add new customers as well increase the business with existing customers.

The Company sold an average of 1.44 million pens a day during 2004-5. The Company plans to take this figure to about 2 million pens a day by the end of this financial year.

The topline growth of the Company in the increasing competitive market and rising polymer prices will keep the margins under pressure.

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, 2005 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 P. R. Agarwala and Shri K. N. Ranasaria, 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	**Prakash Jalan**
Managing Director	*Whole Time Director*

Place : Kolkata

Dated : 28th June, 2005

Annexure
to the Directors' report

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.1862.68 lacs

Foreign Exchange Earned
Rs.1466.18 lacs

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:

- 3 Promoter, Executive Directors
- 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 (Appointed on 1st May, 2004)	Promoter, Executive	Nil	Nil	Nil
Shri S. L. Kochar	Independent, Non- Executive	1	1	Nil
Shri P. R. Agarwala	Independent, Non- Executive	2	Nil	Nil
Shri Naresh Pachisia	Independent, Non- Executive	3	2	Nil
Shri K. N. Ranasaria	Independent, Non- Executive	1	2	Nil
Dr. Ranjan Das (Appointed on 30th July, 2004)	Independent, Non- Executive	2	1	Nil

Attendance of each director at the board meetings and the last annual general meeting

During the financial year ended March 31, 2005, six Board Meetings were held on 28th April, 2004, 16th July 2004, 30th July, 2004, 27th October 2004, 15th December, 2004 and 24th January, 2005. The attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) is as follows :

Name of the Directors	No. of Board meetings attended	Attendance at last AGM held on 08.09.2004
Shri S. L. Kochar	5	Present
Shri P. R. Agarwala	4	Present
Shri Naresh Pachisia	6	Present
Shri K. N. Ranasaria	4	Present
Dr. Ranjan Das	3	Leave of Absence
Shri Deepak Jalan	6	Present
Shri Prakash Jalan	2	Present
Shri Aloke Jalan	2	Leave of Absence

3. Audit committee

The Audit Committee of the Board was re-constituted on 16th July, 2004. Shri K. N. Ranasaria was appointed as member of the Committee lieu of Shri P. R. Agarwala. The 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, 2005, three Audit Committee Meetings were held on 16th July 2004, 27th October, 2004 and 24th January, 2005. The attendance of the Members were as under-

Members	No. of Meetings Attended
Shri S. L. Kochar, Chairman	2
Shri Naresh Pachisia	3
Shri P. R. Agarwal	1
Shri K. N. Ranasaria	2

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	946,000	1,27,800	–	10,73,800	Terms of office valid upto 31.03.08. No notice period & severance fee.
Shri Prakash Jalan	836,000	114,587	–	950,587	-do-
Shri Aloke Jalan	555,500	81,000	–	636,500	Terms of office valid upto 30.04.09. No notice period & severance fee.
Shri S. L. Kochar	–	–	21,000	21,000	Retire by rotation
Shri P. R. Agarwala	–	–	15,000	15,000	-do-
Shri Naresh Pachisia	–	–	28,250	28,250	-do-
Shri K. N. Ranasaria	–	–	16,000	16,000	-do-
Dr. Ranjan Das	–	–	12,000	12,000	-do-

5. 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, 2005, 17 Share Transfer Committee Meetings were held.

ii) Shareholder/Investor Grievances Committee

The Shareholder / Investor Grievances Committee was re-constituted on 16th July, 2004. Shri K. N. Ranasaria was appointed as Member and Chairman of the Committee in lieu of Shri P. R. Agarwala. The Committee presently 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 9. There were no outstanding complaints as on 31st March, 2005. Number of Shares pending for transfer as on 31st March, 2005 were Nil.

iii) 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
2001- 2002	25.11.2002	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata - 700 020	3.00 p.m.
2002 - 2003	29.09.2003	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata - 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.

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

No resolution by postal ballot was passed during last year

7. Disclosures

i) 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.

ii) 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

i) A half-yearly report was not sent to each household of the shareholders. Shareholder s 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.sebiedifar.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.

9. 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	:	31st August, 2005 at 3.30 p.m.
Venue	:	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata–700 020

ii) Financial Calendar

Financial Year	:	1st April to 31st March
Results	:	1st Qtr – end July, 2005 2nd Qtr – end October, 2005 3rd Qtr – end January, 2006 4th Qtr – end June, 2006
iii) Book closure date	:	23.08.2005 to 31.08.2005 on account of AGM and Dividend.
iv) Dividend payment date	:	On or after September 1, 2005
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 2004 – 2005 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, 2005, on the Stock Exchange, Mumbai.

Month	High (Rs.)	Low (Rs.)
April , 2004	16.90	13.82
May, 2004	17.45	13.65
June, 2004	14.45	12.55
July, 2004	17.00	13.10
August, 2004	19.20	14.70
September, 2004	24.00	17.40
October, 2004	32.00	20.60
November, 2004	37.70	25.50
December, 2004	36.40	31.55
January, 2005	34.50	26.00
February, 2005	41.90	28.20
March, 2005	45.80	37.10

viii) Share Price performance in 2004-05 comparison to broad based indices – BSE Sensex

% Change in Linc's Share Price : + 191.37%

% Change in BSE Sensex : + 15.96%

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.

x) Distribution of Shareholding

Distribution of Shareholding by Ownership

	Holding Pattern	No. of Shares	Shareholding %
1.	Promoters & Associates	45,25,966	56.57
2.	Financial Institutions, Banks / Mutual Funds	143,400	1.79
3.	NRI, FIIs, etc.	7,411	0.09
4.	Private Corporate Bodies	4,98,282	6.23
5.	Indian Public	28,25,241	35.32
	Total	**80,00,300**	**100.00**

Distribution of Shareholding by Size

Range of Shares	Shareholders		Shares	
	Nos.	%	Nos.	%
1 to 500	2754	76.41	4,44,208	5.55
501 to 1000	297	8.24	2,63,509	3.30
1001 to 5000	412	11.43	10,37,109	12.96
5001 to 10000	55	1.53	4,05,346	5.07
10001 & above	86	2.39	58,50,128	73.12
Total	**3604**	**100.00**	**80,00,300**	**100.00**

xi) Dematerialisation of Shares

Holding	No. of Holder	%	No. of Shares	%
Physical	1281	35.54	28,44,652	35.56
Demat	2323	64.46	51,55,648	64.44
Total	**3604**	**100.00**	**80,00,300**	**100.00**

xii) Oustanding 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

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, 2005, 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, 2005.

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
Partner
Membership No. 17643

7A, Kiran Shankar Ray Road
Kolkata – 700 001
Date: 28th day of June, 2005.

Auditor's 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, 2005 and the relative Profit and Loss Account and the Cash Flow Statement for the year ended on that date, 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 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, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 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 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:

a)in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

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

7A, Kiran Shankar Ray Road, — **Ajay Agrawal**
Kolkata - 700 001 — Partner
The 28th Day of June, 2005 — Membership No. 17643

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, 2005:

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 any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.

b) 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.

c) The Company has not taken any loans, secured and unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.

d) As the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in register maintained under section 301 of the Act, provisions of Para (iii)(f) to (iii)(g) of the paragraph 4 of the said order are not applicable to the company.

iv) In our opinion and according to the information and explanations given to us, there is an 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, 2005 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.) Relates	Period to which The amount	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	141,018	A.Y. 2002-03	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 statue 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 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

7A, Kiran Shankar Ray Road,
Kolkata - 700 001
The 28th Day of June, 2005

Ajay Agrawal
Partner
Membership No. 17643

Balance Sheet

(Amount in Rupees)

As at 31st March,	Schedule	2005	2004
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	80,003,000	80,003,000
b) Reserves & Surplus	2	165,030,956	133,270,777
		245,033,956	213,273,777
2. Loan Funds	3		
a) Secured Loans		179,473,192	114,759,362
b) Unsecured Loans		30,583,435	21,617,886
		210,056,627	136,377,248
3. Deferred Tax Liability	4	8,981,009	8,676,289
Total		**464,071,592**	**358,327,314**
II APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		205,814,807	164,558,526
b) Less: Depreciation		80,411,159	58,711,317
c) Net Block		125,403,648	105,847,209
d) Capital Work In Progress		9,717,139	11,669,979
		135,120,787	117,517,188
2. Investments	6	15,000	15,000
3. Current Assets, Loans and Advances			
a) Inventories	7	304,779,784	219,940,350
b) Sundry Debtors	8	128,513,503	95,963,544
c) Cash & Bank Balances	9	17,446,590	18,263,740
d) Loans & Advances	10	16,833,355	14,105,192
		467,573,232	348,272,826
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	120,382,129	96,763,186
b) Provisions	12	18,255,298	10,930,928
		138,637,427	107,694,114
Net Current Assets		328,935,805	240,578,712
4. Miscellaneous Expenditure	13	–	216,414
(To The Extent Not Written Off / Adjusted)			
Total		**464,071,592**	**358,327,314**
Significant Accounting Policies and Notes on Accounts	20		

Schedules 1 to 13 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 Accountants

Ajay Agrawal
Partner
Membership No.17643

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 28th day of June, 2005

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 & Loss Account

(Amount in Rupees)

For the year ended 31st March,	Schedule	2005	2004
INCOME			
Sales	14	1,218,319,389	836,351,061
Other Operational Income	15	18,246,205	16,609,814
Other Income	16	2,988,609	2,501,274
Increase / (Decrease) In Stocks	17	53,451,829	15,111,542
		1,293,006,032	**870,573,691**
EXPENDITURE			
Raw Materials & Components Consumed	17	541,198,125	391,492,457
Purchases of Trading Goods		320,909,652	155,076,423
Manufacturing, Administrative, Selling & General Expenses	18	339,066,694	251,027,561
Interest	19	12,305,644	10,369,228
Depreciation		22,353,036	17,808,548
		1,235,833,151	**825,774,217**
Profit Before Taxation		**57,172,881**	**44,799,474**
Provision For Taxation			
- Current Tax		9,600,000	4,600,000
- Deferred Tax		304,720	906,419
Profit After Taxation		**47,268,161**	**39,293,055**
Balance Brought Forward		23,576,777	34,858,671
Income Tax for Earlier Years		—	280,058
Profit Available for Appropriation		**70,844,938**	**74,431,784**
APPROPRIATIONS			
General Reserve		40,000,000	40,000,000
Proposed Dividend		13,600,510	9,600,360
Tax on Proposed Dividend		1,907,472	1,254,647
Balance Carried to Balance Sheet		15,336,956	23,576,777
		70,844,938	**74,431,784**
Significant Accounting Policies and Notes on Accounts	20		
Earning Per Share - Basic & Diluted (Face Value Rs.10/- Each)		5.91	4.95
(Refer Note 7 Of Schedule - 20)			

Schedules 14 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 Accountants

Ajay Agrawal
Partner

Membership No.17643
7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 28th day of June, 2005

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,		2005		2004
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 and Surplus				
General Reserve				
Opening Balance	80,000,000		40,000,000	
Add : Transfer from Profit & Loss Account	40,000,000	120,000,000	40,000,000	80,000,000
Securities Premium Account				
Opening Balance		29,694,000		29,694,000
Profit & Loss Account				
Surplus as per Profit & Loss Account		15,336,956		23,576,777
		165,030,956		**133,270,777**
Schedule 3 — Loan Funds				
SECURED LOANS				
From Scheduled Banks *				
Term Loan		7,885,694		17,025,694
Short Term Loan		77,500,000		22,500,000
Packing Credit		55,992,005		19,408,802
Cash Credit		35,569,653		24,430,041
Foreign Currency Loan		–		29,532,208
* Secured by hypothecation of Plant & Machinery, Moulds & Current Assets of the Company and first charge by way of Equitable Mortage of Immovable Properties of the Company and also guaranteed by Managing Director and Whole time Director of the Company.				
From Others				
Secured against hypothecation of Cars		2,525,840		1,862,617
		179,473,192 **		**114,759,362** **
** Includes term Loan repayable within one Year Rs.9,314,314/- (Rs.14,679,999/-)				
UNSECURED LOANS				
Trade Deposits		30,583,435		21,617,886
Includes Interest Accrued and due Rs.1,169,976/- (Rs.973,702/)				
		30,583,435		**21,617,886**
Schedule 4 — Deferred Tax Liability				
Tax effect of timing differences on account of:				
Difference between book and tax depreciation (DTL)		9,130,520		8,718,915
Less: Expenses allowable for tax purpose on payment basis.(DTA)		149,511		42,626
Deferred Tax Liability (Net).		**8,981,009**		**8,676,289**

Schedules to the Balance Sheet

As at 31st March, 2005

Schedule 5 — Fixed Assets

(Amount in Rupees)

Description of Assets	GROSS BLOCK: As at 1st April 2004	Additions During the Year	Deductions During the Year	As at 31st March 2005	DEPRECIATION: Up to 31st March 2004	For the Year	Less: On sales	Up to 31st March 2005	NET BLOCK: As at 31st March 2005	As at 31st March 2004
Freehold Land	1,175,637	2,810,015	–	3,985,652	–	–	–	–	3,985,652	1,175,637
Buildings	13,542,348	947,624	–	14,489,972	1,781,345	390,655	–	2,172,000	12,317,972	11,761,003
Plant & Machinery	31,891,684	1,681,859	110,240	33,463,303	12,847,937	3,358,264	16,552	16,189,649	17,273,654	19,043,747
Other Equipments	106,988,400	33,414,493	77,060	140,325,833	41,681,555	17,591,142	35,786	59,236,911	81,088,922	65,306,845
Furniture & Fixtures	5,647,886	940,512	116,541	6,471,857	1,402,052	389,098	30,972	1,760,178	4,711,679	4,245,834
Vehicles	5,312,571	2,936,184	1,170,565	7,078,190	998,428	623,877	569,884	1,052,421	6,025,769	4,314,143
Total	**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**	**105,847,209**
Previous Year	136,750,927	28,328,606	521,007	164,558,526	41,112,500	17,808,548	209,731	58,711,317	–	–
Capital work in Progress									9,717,139	11,669,979
Total									135,120,787	117,517,188

Note: Capital work in progress includes advances for capital goods Rs.4,375,895/- (Rs.10,607,287/-)

(Amount in Rupees)

As at 31st March,	2005	2004
Schedule 6 Investments - Long Term (At cost)		
Other than Trade		
Unquoted		
National Savings Certificate	15,000	15,000
	15,000	**15,000**

	2005	2004
Schedule 7 Inventories*		
(As taken, valued and certified by the management)		
Raw Materials & Components	181,791,024	150,422,549
Finished Goods	58,585,464	39,949,529
Trading Goods	58,637,994	22,276,903
Work in Process	5,734,653	7,279,850
Scrap	30,649	11,519
	304,779,784	**219,940,350**

* Includes Materials lying with third parties

	2005	2004
Schedule 8 Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	2,673,000	3,415,372
Other Debts	125,840,503	92,548,172
	128,513,503	**95,963,544**

		2005		2004
Schedule 9 Cash and Bank Balances				
Cash & Cheques in hand (As certified)		634,661		2,039,284
Balances with Scheduled Banks in:				
- Current Accounts	183,044		513,402	
- Unpaid Dividend Accounts	406,339		485,200	
Fixed Deposit Account	16,222,546	16,811,929	15,225,854	16,224,456
(Lodged with Bank as margin money)				
		17,446,590		**18,263,740**

Schedules to the Balance Sheet

(Amount in Rupees)

As at 31st March,	2005	2004
Schedule 10 Loans and Advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	8,304,856	8,785,010
Export Benefits Receivable	5,828,679	2,576,571
Security Deposits	2,699,820	2,743,611
	16,833,355	**14,105,192**

	2005	2004
Schedule 11 Current Liabilities		
Sundry Creditors		
- Small Scale Industrial Undertakings (Refer Note no.5 of Notes on Accounts)	54,795,121	30,494,073
- Others	63,012,082	64,449,044
Investor Education and Protection Fund (Due for less than Seven Years)	406,339	485,200
Advances from Customers	2,168,587	1,334,869
	120,382,129	**96,763,186**

	2005	2004
Schedule 12 Provisions		
Provision for Income Tax (Net of Advance Tax & T.D.S.)	2,747,316	75,921
Proposed Dividend	13,600,510	9,600,360
Tax on Proposed Dividend	1,907,472	1,254,647
	18,255,298	**10,930,928**

	2005	2004
Schedule 13 Miscellaneous Expenditure		
(To the extent not written off / adjusted)		
Preliminary Expenses	–	3,846
Share Issue Expenses	–	212,568
	–	**216,414**

Schedules to the Profit & Loss Account

(Amount in Rupees)

For the year ended 31st March,	2005	2004
Schedule 14 Sales		
Domestic	1,068,245,230	734,600,036
Exports	150,074,159	101,751,025
	1,218,319,389	**836,351,061**

Schedule 15 Other Operational Income		
Export Benefits Received	15,484,154	14,318,039
Incentive and Discount on Purchase	2,762,051	2,291,775
	18,246,205	**16,609,814**

Schedule 16 Other Income		
Interest Received (Gross)*	1,321,623	2,002,558
Insurance Claim	315,673	8,740
Gain on Exchange Fluctuation (Net)	1,243,059	—
Miscellaneous Income	108,254	489,976
	2,988,609	**2,501,274**

* includes tax deducted at source Rs 269,121/- (Rs. 230,707).

Schedule 17 Raw Materials Consumed & Increase/(Decrease) in Stocks)		
Opening Stock of Raw Materials	150,434,068	128,276,911
Add: Purchases during the year	572,585,730	413,649,614
	723,019,798	541,926,525
Less: Closing Stock of Raw Materials	181,821,673	150,434,068
	541,198,125	391,492,457
Increase / (Decrease) in Stocks		
Closing 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
	122,958,111	69,506,282
Less: Opening 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
Increase / (Decrease) in Stock	**53,451,829**	**15,111,542**

Schedules to the Profit & Loss Account

(Amount in Rupees)

For the year ended 31st March, 2005		31.3.2005		31.3.2004
Schedule 18 Manufacturing, Administrative, Selling & General Expenses				
Stores and Spare Parts Consumed		2,123,243		1,831,286
Power & Fuel		8,057,032		6,269,168
Processing Charges		104,759,102		77,667,973
Rent		4,063,525		4,242,393
Repairs & Maintenance				
- Machinery	3,435,563		2,761,601	
- Building	899,106		500,861	
- Others	1,447,605	5,782,274	1,473,201	4,735,663
Other Manufacturing Expenses		704,103		427,762
Payments to & Provisions for Employees				
- Salaries, Wages, Bonus & Allowances	26,395,691		19,995,484	
- Contribution to Provident and other Funds	2,592,169		2,204,600	
- Workmen and Staff Welfare & Training Expenses	2,113,334	31,101,194	1,564,478	23,764,562
Auditors Remuneration		238,291		225,720
Miscellaneous Expenses		12,144,467		10,495,703
Insurance Charges		3,472,663		2,217,944
Rates & Taxes		793,535		121,037
Directors' Sitting Fees		92,250		34,500
Travelling & Conveyance		11,553,569		8,264,533
Postage,Telegram & Telephone		3,189,867		2,730,298
Freight & Transportation		22,760,659		16,315,034
Advertisement Expenses		34,218,791		20,450,393
Sales Promotion Expenses		35,313,134		35,386,424
Target Incentives		22,467,034		6,523,902
Commission on Sales		623,329		2,376,833
Discount & Rebate		28,551,482		20,201,252
Bad Debts		53,222		832,861
Other Selling & Distribution Expenses		6,423,402		4,145,187
Loss on Exchange Fluctuation (Net)		–		1,344,343
Loss on Sale of Fixed Assets		364,112		175,376
Miscellaneous Expenditure Written off		216,414		247,414
		339,066,694		**251,027,561**

Schedule 19 Interest		
To Bank	10,139,890	8,546,172
To Others	2,165,754	1,823,056
	12,305,644	**10,369,228**

Schedule **20**	**Significant Accounting Policies & 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

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.

5. Depreciation

a) Depreciation on Fixed Assets is provided on straight-line method at the rates specified in Schedule XIV to The Companies Act, 1956 (as amended).

b) Depreciation on fixed assets added/ disposed off during the year is provided on pro-rata basis with reference to the date of addition/ disposal.

6. 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.

7. Investments

Investments are stated at cost.

8. 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

Schedule **20**	**Significant Accounting Policies & Notes on Accounts** (Contd.)

Inventory to their present location and condition.

b) Scrap is valued at Net Realisable Value.

9. Amortisation of expenses

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

10. Retirement benefits

a) Company's contribution to Provident Fund and Pension Fund are charged to Profit & Loss Account.

b) Liabilities on account of retirement benefit arising during the year is assessed and funded to the approved Gratuity scheme subscribed to by the company.

c) Leave encashment benefit is accounted for on the basis of actuarial valuation.

11. Income Taxes

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.

12. 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.

13. 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.

14. 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**	**Significant Accounting Policies & Notes on Accounts** (Contd.)

B. NOTES ON ACCOUNT (Amount in Rupees)

As on 31st March,	2005	2004
1. Estimated amount of contracts remaining to be executed for Capital Expenditure (net of advances) and not provided for	2,938,175	11,846,716
2. i. Contingent Liabilities Not Provided For		
a) Bank Guarantees issued in favour of		
The President of India*	26,630,888	27,341,538
*Fixed deposit lodged as magin money against the above	12,492,691	12,811,305
b) Income Tax demands under appeal	343,148	–
c) Bills Discounted from Bank	7,510,046	2,488,183

ii. The contingent liabilities referred to in i) above depends upon non discharge of export obligation/ outcome of appeal etc.

iii. No reimbursement is expected in respect of contingent liabilities shown in i) above.

3. Managerial Remuneration

Calculation of Net Profit for the purpose of calculating Directors' remuneration for the year 2004-05

	2005	2004
Profit before tax (as per profit & loss account)	57,172,881	44,799,474
Add: Directors' sitting fees	92,250	34,500
Directors' remuneration	2,660,887	1,640,017
Bad deb ts written off	53,222	832,861
Loss on sale of fixed assets	364,112	175,376
Net profit for the purpose of Directors' remuneration (as per section 349 of the Companies Act, 1956)	60,343,352	47,482,229
Maximum remuneration permissible to managing and whole time Directors' under the Act	6,034,335	4,748,223
Remuneration paid to managing and whole time Directors'		
Salary	2,337,500	1,452,000
Other benefits	323,387 *	188,017 *
Total	**2,660,887**	**1,640,017**

* Excluding taxable value of perquisites Rs. 61,600/- (Rs. 52,800/-).

	2005	2004
4. a) Statutory Auditors' Remuneration		
Audit Fees	110,200	108,000
Tax Audit Fees	49,590	48,600
Other Matters	49,260	52,920
Out of Pocket Expenses	2,021	—
	211,071	209,520
b) Branch Auditors' Remuneration		
Audit Fees	21,776	12,960
Tax Audit Fees	5,444	3,240
	27,220	16,200
Total (a+b)	**238,291**	**222,720**

Schedule **20**	**Significant Accounting Policies & Notes on Accounts** (Contd.)

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);

(1) Calcutta Label Works (2) Linc Writing Aids Pvt. Ltd. (3) R.D.Enterprise (4) Wonder pack (India) (5) Ostern Pvt. Ltd (6) Sigma Inc. (7) Excellent Moulders (Unit-II). (8) Utility Inks Pvt. Ltd. (9) Green Fingers (India) Pvt. Ltd.

6. Segment Reporting

The business of the company falls under a single segment i.e. "Writting Instruments and Stationeries" for the purpose of Accounting Standard AS-17.

7. Earnings Per Share

	2004-05	2003-04
The numerator and denominator used to calculate Basic/ Diluted Earnings Per Share		
a) Amount used as the numerator		
Profit after Tax	47,268,161	39,293,055
Add: Income Tax for earlier year	—	280,058
Total (A)	**47,268,161**	**39,573,113**
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.	5.91	4.95

Schedule **20**	**Significant Accounting Policies & Notes on Accounts** (Contd.)

8. Related Party transactions

Related party disclosure as per Accounting Standard 18 for the year ended 31st March 2005 are given below:

I) Details of transactions with related parties. (Amount in Rupees)

Descreption	Associates (A)	Key Managerial Personnel (KMP)	Other Related Parties (ORP)	Relatives of KMP (R)	Total
Purchase	899,792	–	42,346,454	–	43,246,246
	(646,741)	–	(23,313,386)	–	(23,960,127)
Sale of Goods	5,468,415	–	164,213,278	–	169,681,693
	(2,146,810)	–	(123,149,011)	–	(125,295,821)
Purchase of Fixed Assets	–	–	200,000	–	200,000
	–	–	(835,000)	–	(835,000)
Sale of Fixed Assets	–	–	96,045	–	96,045
	–	–	–	–	–
Receiving of Services	120,000	2,481,500	1,869,000	114,000	4,584,500
	(120,000)	(1,596,000)	(1,545,000)	(114,000)	(3,375,000)
Outstanding Receivable - Net of Payable	239,961	–	4,600,856	–	4,840,817
	(27,693)	–	(14,979,184)	–	(15,006,877)

II) Names and description of relationship of related parties and outstanding as on 31st March 2005:

Related Party	Relationship	Balance as on 31.3.2005
Associates;		
Shree Writing Aids Pvt. Ltd.	Associates	Dr. 239,961
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.	–
Linc Marketing Services (Goa) Linc Engineering	Proprietorship Concerns owned by Smt. Bindu Jalan wife of W.T.D.	– –
Linc Writing Aids Pvt. Ltd.	Substantial interest of the relatives of M.D. and W.T.D.	Dr. 4,600,856
Relatives;		
Deepak Jalan (HUF)	Sri Deepak Jalan, M.D.is the Karta of HUF	–

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

Schedule **20**	**Significant Accounting Policies & Notes on Accounts** (Contd.)

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

Name of related parties		Nature of Transactions	Amount
S.M.Pen & Plastic Industries	(ORP)	Purchase of Goods	25,483,023
Radhika Writing Instruments	(ORP)	Purchase of Goods	16,711,878
		Sale of Assets	96,045
Linc Writing Aids Pvt. Ltd.	(ORP)	Purchase of Assets	200,000
		Receiving of Services	1,488,000
		Sale of Goods	158,262,591
Deepak Jalan	(KMP)	Remuneration	946,000
Prakash Jalan	(KMP)	Remuneration	836,000
Aloke Jalan	(KMP)	Remuneration	555,500

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.	*	3582.039
			(2668.354)
Refills	Pcs.	*	5058.550
			(3425.854)

* 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 in Rupees)

Sl. No.	Description	Unit	Opening Stock		Closing Stock		Sales	
			Quantity	Amount	Quantity	Amount	Quantity	Amount
I)	Pens	Pcs.	15914517	21433615	27670944	42619944	345186859	635547992
			(14349023)	(18723224)	(15914517)	(21433615)	(260061793)	(449057307)
II)	Refills	Pcs.	26355719	18173679	24554603	15759281	244659917	211614904
			(30428072)	(13281694)	(26355719)	(18173679)	(168538261)	(156105709)
III)	Pencils	Pcs.	45235	59621	16053	15231	1289809	3145304
			(381916)	(606297)	(45235)	(59621)	(5544745)	(17609716)
IV)	Others	–		282614		191008		15023125
				(2416388)		(282614)		(3395485)
Total				**39949529**		**58585464**		**865331325**
Total (Previous Year)				**(35027603)**		**(39949529)**		**(626168217)**

Schedule 20 | Significant Accounting Policies & Notes on Accounts (Contd.)

c) Opening and Closing Stock of Goods Traded in (Amount in Rupees)

Sl. No.	Description	Unit	Opening Stock		Purchases		Sales		Closing Stock	
			Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
I)	Pens	Pcs.	3868263	15631292	92092976	223836456	86578810	255544643	9382429	39770381
			(5642211)	(10985687)	(57862251)	(128899475)	(59636199)	(175261618)	(3868263)	(15631292)
II)	Refills	Pcs.	587503	786975	12729424	8227422	10685113	9546395	2631814	4112792
			(1292778)	(1332991)	(2701495)	(1917262)	(3406770)	(6255859)	(587503)	(786975)
III)	Pencils	Pcs.	204713	663316	24368148	25972527	19070753	28626076	5502108	5786390
			(526594)	(929597)	(870507)	(1126199)	(1192388)	(1961843)	(204713)	(663316)
VII)	Others			5195320		62873247		59270950		8968431
				(3124858)		(23133487)		(26703524)		(5195320)
Total				**22276903**		**320909652**		**352988064**		**58637994**
Total (Previous Year)				**(16373133)**		**(155076423)**		**(210182844)**		**(22276903)**

d) Raw Materials Consumed

Sl. No.	Items	Unit	Quantity	Amount (Rs.)
I)	Plastic Powder	Kgs.	1,889,024	138,547,735
			(1,546,492)	(73,757,109)
II)	Ink	Kgs.	163,404	52,760,088
			(128,746)	(27,113,809)
III)	Tips	Pcs.	493,924,687	134,396,054
			(386,643,461)	(74,678,817)
IV)	Components for Pen / Ball Pen/ Pencils	Pcs.	400,624,734	136,218,790
			(1,137,325,659)	(183,950,917)
V)	Others	–		79,275,458
				(31,951,805)
Total				**541,198,125**
Total (Previous Year)				**(391,452,457)**

e) Value of Raw Materials Consumed

Particulars	Amount (Rs.)	Percentage
Imported	97,691,674	18.05
	(93,619,343)	(23.92)
Indigeneous	443,506,451	81.95
	(297,833,114)	(76.08)
Total	**541,198,125**	**100.00**
Total (Previous Year)	**(391,452,457)**	**(100.00)**

Schedule to the Balance Sheet & Profit and Loss Account
For the year ended 31st March, 2005

Schedule 20 | Significant Accounting Policies & Notes on Accounts (Contd.)

f) Value of Stores & Spares Consumed

Particulars	Amount (Rs.)	Percentage
Imported	1,322,131	62.27
	(–)	(–)
Indigeneous	801,112	37.73
	(1,831,286)	(100)
Total	2,123,243	100
Total (Previous Year)	(1,831,286)	(100)

g) CIF Value of Imports

	2004-05	2003-04
Raw Materials,Components & Spares	82,005,929	70,104,451
Trading Goods	75,247,607	14,782,229
Capital Goods	25,596,042	17,236,964

h) Expenditure in Foreign Currency (On Payment Basis)

I) Bank Interest & Commission	1,053,770	673,450
II) Travelling	1,334,232	1,002,486
III) Exhibition Expenses	671,021	771,972
IV) Commission on Exports	42,237	46,368
V) Product Designing & Testing Charges	176,398	270,605
VI) Staff Training Expenses	140,860	–

i) Earnings in Foreign Exchange (On Accrual Basis)

Exports on FOB Basis	146,618,058	98,298,743

10. I) Figures in brackets represents figures for the previous years.
    II) The previous year figures have been regrouped and rearranged wherever necessary.

Schedule to the Balance Sheet & Profit and Loss Account

For the year ended 31st March, 2005

20 Significant Accounting Policies & Notes on Accounts (Contd.)

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

1. Registration Details

Registration No. 65583 State Code 21

Balance Sheet Date 31 03 05

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

Public Issue: NIL — Right Issue: NIL

Bonus Issue: NIL — Private Placement: NIL

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

Total Liabilities: 602709 — Total Assets: 602709

Sources of Funds

Paid-up Capital: 80003 — Reserves & Surplus: 165031

Secured Loans: 179473 — Unsecured Loans: 30584

Other Liabilities: 8981

Application of Funds

Net Fixed Assets: 135121 — Investments: 15

Net Current Assets: 328936 — Miscellaneous Expenditure: NIL

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

Turnover & Other Income: 1239554 — Total Expenditure: 1182381

+ - Profit/Loss Before Tax: +57173 — + - Profit/Loss After Tax: +47268

Earning Per Share in Rs.: 5.91 — Dividend rate (%): 17

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

Item Code No (ITC Code)	Product Description
960810	BALL POINT PEN
960860	REFILLS
960990	PENCILS

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

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

Ajay Agrawal
Partner

Membership No.17643
7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 28th day of June, 2005

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 Rupees)

For the year ended 31st March,		2005		2004
A. Cash flow from operating activities :				
Net profit before tax		57,172,881		44,799,474
Adjustments for				
Depreciation	22,353,036		17,808,548	
Miscellaneous Expenses W. Off	216,414		247,414	
(Profit)/Loss on sale of fixed assets	364,112		175,376	
Interest Income	(1,321,623)		(2,002,558)	
Unrealised loss/(gain) on foreign exchange fluctuation (Net)	(406,730)		236,027	
Interest expense	12,305,644	33,510,853	10,369,228	26,834,035
Operating profit before working capital changes		90,683,734		71,633,509
(Increase) / Decrease in Trade and other receivables	(32,582,142)		(2,350,717)	
(Increase) / Decrease in Inventories	(84,839,434)		(37,268,699)	
(Increase) / Decrease in Loans & Advances	(2,713,091)		844,102	
Increase / (Decrease) in Trade Payables	24,136,717	(95,997,950)	39,501,536	726,222
Cash generated from operations		(5,314,216)		72,359,731
Less: Direct taxes paid		6,928,606		1,380,086
Net cash from operating activities		(12,242,822)		70,979,645
B. Cash flow from investing activities :				
Purchase of fixed assets	(40,777,847)		(34,881,637)	
Fixed Deposit with Banks	(996,692)		(4,092,673)	
Sale of fixed assets	457,100		135,900	
Interest Received	1,306,551		1,964,937	
		(40,010,888)		(36,873,473)
Net cash from investing activities		(40,010,888)		(36,873,473)

(Amount in Rupees)

For the year ended 31st March,	2005	2005	2004	2004
C. Cash flow from financing activities :				
Repayment of Long term borrowings	(9,140,000)		(22,850,000)	
Proceeds from Other Borrowings	81,759,513		2,077,392	
Interest Paid	(11,245,777)		(9,346,220)	
Unclaimed Dividend	(78,861)		(60,844)	
Dividend Paid	(9,600,360)		(4,800,180)	
Dividend Tax Paid	(1,254,647)	50,439,868	(615,023)	(35,594,875)
Net cash from financing activities		50,439,868		(35,594,875)
Effect of exchange rate on Cash & Cash Equivalents		–		(1,210)
Net increase in cash and cash equivalents (A+B+C)		(1,813,842)		(1,489,913)
Cash and cash equivalents -Opening balance		3,037,886		4,527,799
		1,224,044		3,037,886
Cash and cash equivalents - Closing balance		1,224,044		3,037,886

Notes:

1) 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.
2) Figures in braket represent cash outflow.
3) Cash and cash equivalent at the end of the year consist of :

	As at 31st March, 2005	As at 31st March, 2004
a) Cash and Cheques in hand	634,661	2,039,284
b) Balance with Banks	589,383	998,602
	1,224,044	3,037,886

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

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

Membership No.17643
7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 28th day of June, 2005

For and on behalf of the Board

Deepak Jalan
Managing Director

Prakash Jalan
Whole Time Director

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

5 year financial highlights

(Rs.in lacs)

Year	2004-5	2003-4	2002-3	2001-2	2000-1
Source of Funds					
Share Capital	800.03	800.03	800.03	800.03	800.03
Reserves & Surplus	1650.31	1332.71	1045.53	885.58	802.00
Net worth	**2450.34**	**2132.74**	**1845.56**	**1685.61**	**1602.03**
Borrowings	2100.57	1363.77	1560.62	1602.60	1377.89
Funds Employed	**4550.91**	**3496.51**	**3406.18**	**3288.21**	**2979.92**
Operating Results					
Sales	12183.19	8363.51	6194.57	5821.45	5147.90
Exports	1500.74	1017.51	784.32	401.49	325.33
PBDIT	**918.32**	**729.77**	**532.25**	**543.38**	**539.62**
Interest	123.06	103.69	123.16	172.26	112.96
Depreciation	223.53	178.09	153.68	144.64	82.73
Profit before tax	571.73	447.99	255.41	226.48	343.93
Profit after tax	**472.68**	**392.93**	**217.60**	**180.84**	**288.93**
EPS	**5.91**	**4.91**	**2.72**	**2.26**	**3.61**
Cash EPS	8.70	7.14	4.64	4.07	4.65
Net worth per share	30.63	26.66	23.07	21.07	20.02
Dividend	**17%**	**12%**	**6%**	**5%**	**12%**

Corporate Information

BOARD OF DIRECTORS

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 Aloke 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 - 700 027
Phone: (033) 2479 0248/49/50
Fax: (033) 2479 0253
e-mail: investors@lincpen.com
website: www.lincpen.com

WORKS
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

88, Pilerne Industrial Estate,
Pilerne Bardez, Goa - 403 511
Phone: (0832) 240 7227, 3090621/648
Fax: (0832) 240 7227
e-mail: pilerne@lincpen.com

D3/6A, Corlim Industrial Estate
Corlim, Ilhas, Goa -
Phone: (0832) 228 4734

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: linc_goa@sancharnet.in

Mumbai branch
32F, Laxmi Industrial Estate,
New Link Road, Andheri (West)
Mumbai - 400 053
Phone: (022) 5692 4255 / 4375
Fax: (022) 5694 2963
e-mail: lincmumbai@lincpen.com

Delhi branch
A-51, Gujranwala Town
New Delhi - 110 009
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 700 001

BANKERS
State Bank of India
IDBI Bank Ltd.