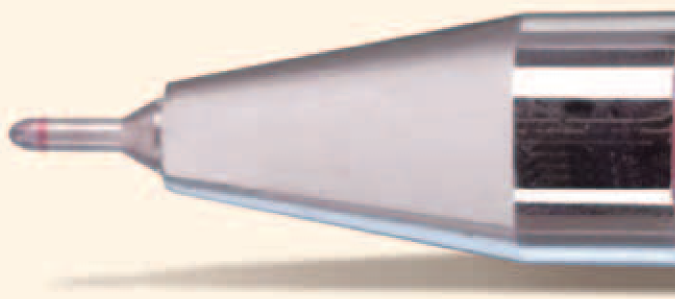
WHAT DO YOU *write* WITH?

LINC
Zindagi Ke Liye

Linc Pen & Plastics Ltd | Annual Report 2009-10



Across the pages

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainties and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw material cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

Ordinary question for many.

A subject of core brand understanding at Linc.

It matters more now than ever.

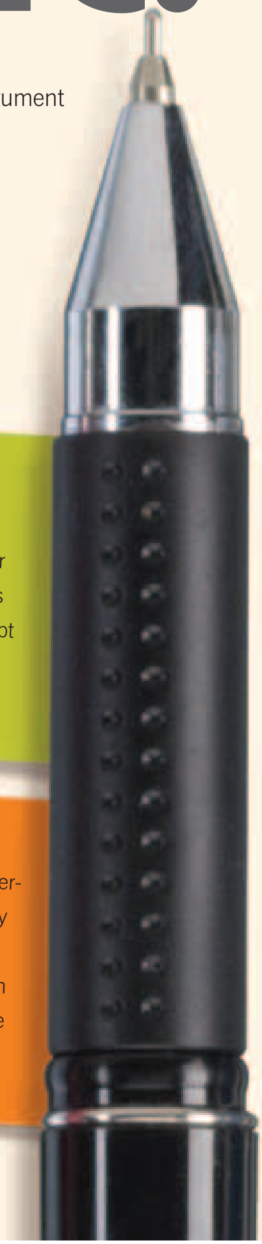
Because it reflects user personality, identity and pride.

This understanding translated into an 18.4% growth in our revenues and a 66.6% increase in our post-tax profits in 2009-10.

India. The world's second largest market.

LINC.

One of India's most prominent writing instrument and stationery brands.



Vision

To establish LINC as a global brand, known for its values, assertiveness and the acumen to adapt to an ever-changing environment

Mission

To deliver innovative, user-friendly and better-quality products at best value to the customers, keeping in mind the prosperity of the Company and its stakeholders

Core values

- We recognise that we are in the business primarily to satisfy our customers.
- Our performance must ultimately reflect in the increased value of our shareholders' holdings.
- We treat our employees and stakeholders with utmost respect and dignity.
- We observe and adhere to the highest standards of ethical corporate behaviour.
- We work as a team to continuously enhance stakeholder value and serve our customers.

Background

- Linc Pen & Plastics Ltd was incorporated in 1994 by Mr. S M Jalan and listed on the stock exchanges (BSE and CSE) in 1995.
- The Company is a leading manufacturer, marketer and exporter of writing instruments and stationery products.

Products

- We are one of the largest manufacturer of ballpoint and gel pens, refills, pencils and stationery accessories in India.
- We sell about 1.5 million pens a day.
- Our product portfolio comprises over 50 products.
- We provide mass pens, premium pens, pencils, erasers and allied stationery products.

Pride

- All our manufacturing units are certified for ISO 9001:2008.
- We market products manufactured by Mitsubishi Pencil Co. Ltd, Japan ('Uniball' brand).
- We market products manufactured by C. Joseph Lamy GmbH, Germany ('Lamy' brand).

Presence

- We are headquartered in Kolkata, West Bengal.
- We have five offices across India, catering to dispersed national needs.
- Our products enjoy a presence in more than 30 countries.
- Our manufacturing units are located in Falta SEZ and Serakole in West Bengal.
- Our operations are supported by a strong network of around 49 exclusive channel partners, 2,591 distributors and 194 sales representatives.
- Our products are also available across 12 direct retail fronts ('Office Linc' and 'Just Linc' stores).

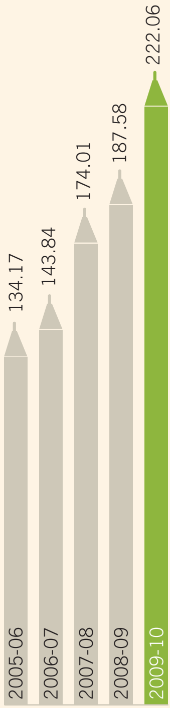
Public holding

- We are listed on the Calcutta Stock Exchange and the Bombay Stock Exchange.
- We enjoyed a Rs. 87.21-crore market capitalisation as on 31st March 2010.
- Our promoters' stake was 68.96% as on 31st March 2010.

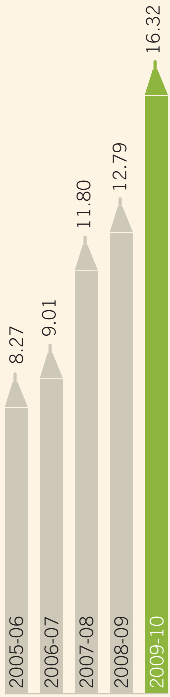
REVENUE BREAK-UP

Pens	Refills	Pencils	Others
Rs. 168.23 cr	Rs. 25.25 cr	Rs. 12.31 cr	Rs. 16.27 cr
75.8%	*11.4%*	*5.5%*	*7.3%*

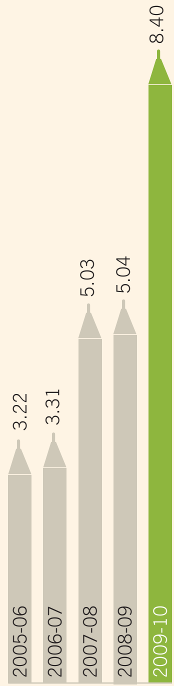
PERFORMANCE



Revenue (Rs. in cr)



EBIDTA (Rs. in cr)



Net profit (Rs. in cr)

MILESTONES

2000

Linc launched Tip-Top, a retraceable ball pen at Rs. 2.5 a unit, widening the market.

2001

Linc launched gel pen Hi-School for Rs. 10 each when the prevailing price for gel pens was Rs. 15-20 each, thereby widening the market.

2002

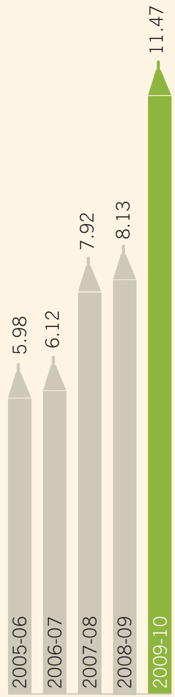
Linc introduced 'Smart', an oil-based gel pen for Rs. 5.

2003

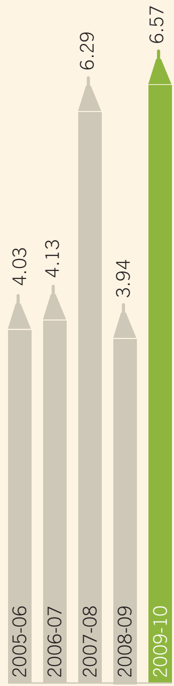
Linc entered the global market through private label supplies to Wal-Mart, the retail giant of USA. Linc introduced a gel pen – 'Ocean gel' at Rs. 5, a first of its kind in India.

2004

'Just Linc' and 'Office Linc' retail outlets were launched.



Cash profit (Rs. in cr)



EPS (Rs.)

What we achieved in 2009-10

- We applied for the registration of our brand in over 30 countries; we marketed our products in over 20 countries.
- We grew our exports from Rs. 39.43 cr in 2008-09 to Rs. 52.18 cr in 2009-10
- We increased export proportion from 21% of revenues in 2008-09 to 23.5% in 2009-10
- We penetrated markets in the Middle East, Africa and Southeast Asia.

2005
The Company was given the ICICI Bank – CNBC TV18 Emerging India Award in the FMCG category.

2008
Linc strengthened its brand by signing Bollywood superstar Shahrukh Khan to endorse its products.

2009
Linc's factory at Falta SEZ commenced production.

2010
Linc was the associate sponsor of two IPL teams, Rajasthan Royals and Kolkata Knight Riders, a first in India's writing instrument industry.

Linc was also the 'Literacy partner' of IIFA awards 2010, held in Sri Lanka.

AHEAD

LINC. VALUE-ADDITION. SHAHRUKH KHAN.

IN 2009-10, WE STRENGTHENED OUR CONNECT BETWEEN THESE THREE SEEMINGLY UNRELATED REALITIES.

We did so through the extension of our brand association with Shahrukh Khan. This created the sheen of a product that was progressive, contemporary and upwardly mobile.

In turn, this provided the Company room to launch value-added writing instruments, strengthening average realisations per pen to Rs. 3.05 in 2009-10 and increasing the proportion of value-added instruments in the overall product mix from 13% in 2008-09 to 19% in 2009-10.

GLOBAL

LINC. INDIA. GLOBAL.

CONVENTIONALLY, LINC WAS AN INDIAN BRAND MARKETING PRODUCTS UNDER ITS BRAND NAME ONLY WITHIN THE COUNTRY.

A significant transition occurred over the last year.

The Company markets across more than 20 countries.

The exports revenue split between the OEM and Linc brand evolved from 42:58 in 2008-09 to 33:67 in 2009-10. The Company's products are used in over 30 countries, of which over 20 carry Linc brand. International revenues increased 32% in 2009-10. The Company continued to supply products to demanding international buyers like Sanford, Wal-Mart, TESCO and Poundland, among others.

The big picture

"WE REJUVENATED THE LINC BRAND IN 2009-10. THE BENEFITS WILL ACCRUE OVER THE YEARS."

Deepak Jalan, Managing Director, Linc Pen & Plastics Ltd, reviews the year gone by.

Were you pleased with the performance of the Company in 2009-10?

Reasonably. We outperformed our industry growth of 10% in 2009-10 with an 18.2% increase in our revenues and 66.6% increase in post-tax bottomline. The result is that we enhanced our market share in 2009-10.

What were some of the highlights of the Company's performance in 2009-10?

The biggest highlight of our performance was that of change. It was our ability to transform and seize opportunities that translated into a superior performance.

For instance, we had traditionally been an India-focused company. In 2009-10, we demonstrated for the first time the seriousness of our global intent, reflected in a 32.3% rise in our export revenues.

In the past, we had generally focused on exporting under private label brands, relieving us of the pressure to find markets. In 2009-10, 66.8% of our exports were made in our own brand name.

In the past, we had focused on capturing a larger share of the mass market marked by low realisations. In 2009-10, we introduced value-added products and raised the proportion of value-added products (in excess of Rs. 10 per writing instrument) from 13% of revenues in 2008-09 to 19% in 2009-10.

Given the economic slowdown, most companies in our position would have been cautious regarding significant brand investments. In 2009-10, we reaffirmed faith in our products and future, renewing our association with Shahrukh Khan as brand ambassador and also got associated with two IPL teams – the Rajasthan Royals and the Kolkata Knight Riders.

Was there a specific strategy in this?

Yes. Over the last few years, we could see the commoditisation of writing instruments. Anything that was cheap became cheaper. Margins thinned. Branding declined. However, even as this was happening, one noticed that individuals were becoming increasingly brand conscious across most products. That was our first clue that there was something that the market was telling us. That even as most manufacturers were focusing on the bottom of the product pyramid, there was a vacant emerging segment at the higher end. This is precisely what we focused on in 2009-10: we made products that users would be proud to use and we made products that consumers would be proud to show in their pockets. In short, we embarked on the process of rebranding ourselves – not as a short-term reaction of escaping the commodity trap but laying the foundation of an organisation that would be respected with implications on realisations.

How difficult was this rebranding?

From a theoretical perspective, such rebranding exercises are long-drawn, requiring a consistency in purpose and investment. Besides, it has been our experience that it is simpler and quicker to downgrade from a class brand to a mass brand; the reverse takes longer and in a lot of cases, does not happen at all. So what we achieved last year was creditable considering that we deal in mass products and needed to graduate from mass to class pricing. If one had sampled industry opinion at the start of the year, it would have been concluded that we would not be able to pull it off. We achieved all that we wanted to at the start of the year, and to that extent vindicated our strategy and direction.

How did the Company pull it off?

There were four broad initiatives.

One, we resolved that re-branding starts when consumers associated a product with a bigger idea. In our products, where product functionality and technology have matured, it would have been futile communicating that our new range of pens would write considerably better. So we did something relevant and prudent for our product; we associated with an icon like Shahrukh Khan for a broad organisational and product sheen that would translate into a higher visibility. We invested up to 4.4% of our net sales in promotional and visibility exercises, which covered the Shahrukh Khan endorsement and the tie-ups with Kolkata Knight Riders and Rajasthan Royals. The result was that our products began to rise above the clutter of a competitive marketplace.

Two, we recognised that no brand association can be effective without a change in the product mix. In view of this, we introduced five major products during the last financial year. The launch of these products did two things for us: they excited the trade, strengthening our reputation as a company that provides retailers a wider product range to market; they resulted in additional sales.

Three, you can do all this within an existing market and keep chasing somebody else's market share. We felt that it would be better to enter new markets. So we increased our presence under the Linc brand from 10 countries in 2008-09 to 20 countries in 2009-10. This widening translated into increased international revenues by 32.3%.

Four, earlier we had found it convenient to market our products to OEM buyers under their name. From a long-term perspective, we felt that the time had come to move to exports under our brand name. The result is that exports under our Linc brand increased from 57.7% of our exports in 2008-09 to 66.8% in 2009-10. The fact that a number of first-time sales translated into multiple engagements thereafter vindicates our strategy and optimism.

What were some of the challenges faced by the Company in 2009-10?

The second half of 2008-09 was comfortable from the cost perspective as oil and polymer prices declined sharply. However, towards the later part of 2009-10, there was an increase in the cost of our principal inputs. In a product as price-sensitive as writing instruments. it became increasingly difficult to pass on such cost increases. So we did the next best thing: we launched six products in 2009-10, equally across the mass and class segments. Products like the Linc Glycer and Linc Executive Gel were well accepted, enabling us to pass on cost increases.

How does the Company expect to sustain its growth?

We have chalked out the following strategies to accelerate growth in 2010-11:

- Widen our international presence further
- Increase the volume of our product lines to drive revenue growth
- Increase the production of value-added products to strengthen margins
- Increase production capacity
- Invest in promotional activities to enhance brand exposure
- Deliver better designs and innovative packaging

What is the industry outlook and your Company's place in it?

Linc aims to increase its market share by about 2% in 2010-11, of an estimated industry size of around Rs. 24 billion (Rs. 19 billion for the organised sector). We believe that this is achievable, owing to changing lifestyle and consumption patterns on the one hand and increasing literacy on the other. There is a fundamental basis for this optimism: the pen cost, as a proportion of the wallet, is lower today than ever before. Consequently, we see prospects of sustained growth leading to a Rs. 5-billion turnover and a five million production mark by 2012-13, with a higher proportion of value-added products.

OUR ENDURING STRENGTHS

Operational flexibility
Linc possesses production facilities at Serakole and Falta SEZ in West Bengal, enhancing its operational flexibility to service diverse markets.

Alliances
Linc enjoys marketing alliances with leading international brands like Uniball (Mitsubishi Pencil Co Ltd, Japan) and Lamy (C. Joseph Lamy GmbH, Germany) for value-added products.

Exports
Linc products are available in more than 20 countries under its own brand.

Brand
Brand ambassador Shahrukh Khan and association with two IPL Teams – Rajasthan Royals and Kolkata Knight Riders, enhanced corporate visibility, strengthening our topline.

Back-end
Even though OEM supply is declining, Linc products were outsourced by global retail giants like Walmart, Tesco, Sanford, W. H. Smith and Poundland for their private labels.

Market share
Linc is among the top three brands in the writing instrument industry in India with a 11-12% market share. In eastern India and UP, Linc's market share is estimated to be over of 25%.

Retail
Linc products are marketed through direct retail units (Office Linc and Just Linc stores), providing a wide array of stationery products at a single point.

Portfolio
Linc addresses mass (below Rs. 20) and class (above Rs. 20) preferences across writing instruments and other related stationery products.

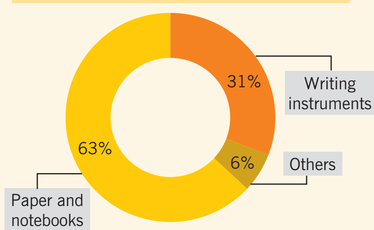
MANAGEMENT DISCUSSION AND ANALYSIS

Industry overview

The global writing instrument market is estimated at US$12.3 billion. The Indian writing instrument industry is estimated at Rs. 24 billion (organised presence Rs. 19 billion). Since the industry is price-sensitive, brand recall is critical. The Indian stationery market is expected to grow 10% annually till 2012. With the Indian government laying an emphasis on education, more schools are being built, which will drive the offtake for stationery products. India is also emerging as an outsourcing hub of multinational companies, resulting in an attractive growth in stationery offtake.

The low-price pen segment (Rs. 2 to 5) accounts for a large proportion, marked by the absence of brands, where consumer loyalties shift in response to marginal price shifts. The premium/super premium writing instruments extend beyond functional utility, serving as style statements.

Total stationery: Around INR 90 billion (1.4 billion Euros)



Published Research – 2007 – Retail value

The Indian writing instrument industry is competitive with low entry barriers and a large presence of unorganised players beyond tax and other statutory obligations. The share of the organised sector is increasing owing to stronger innovation, better style, enhanced quality, brand association, pride of use, better packaging and wide distribution. Foreign brands dominate the premium segment (above Rs. 50 each).

The small-scale industry (SSI) reservation, restricting high capital investment in the writing instruments industry, was removed in 2007-08, making it possible for organised players to enhance capacity and investments.

The industry structure is characterised by the following:

- Fragmented, marked by several small local and regional brands
- Industry growth of 5-10% between FY2006-08; 10% growth in 2009-10
- Growing production automation in line with the international industry
- China enjoys a market share of 10% of the US$12.3 billion global writing instrument industry; India's share is inching upwards following improving product quality
- Most Indian players enjoy alliances with global players for marketing their

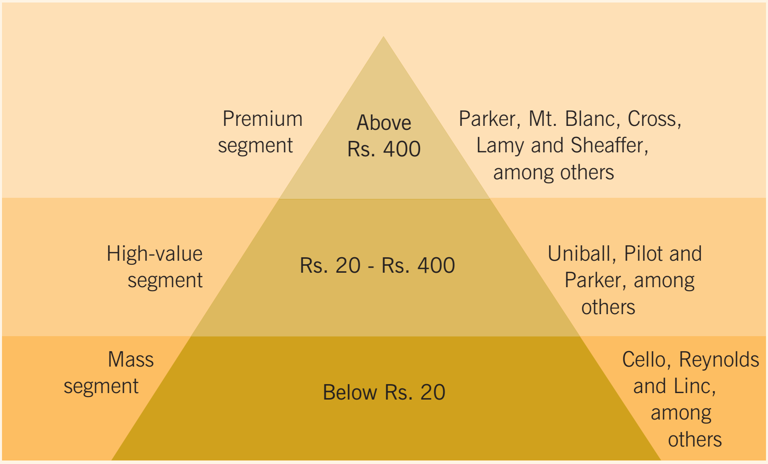
value-added products in India.

- Strong competition among brands like Reynolds, Cello, Linc, Montex, Today's, Lexi, Rotomac, Flair, Stic and small-scale players
- Growing incidence of endorsements by celebrities like Sachin Tendular (Reynolds), Shahrukh Khan (Linc), Mahendra Singh Dhoni (Cello) and Yuvraj Singh (Classmate)
- Entry of large multinational companies into India with stakes in Indian companies (French multinational BIC apparently acquired a 40% stake in Cello, valuing the Indian company at around Rs. 2000 cr, significantly higher than the prevailing industry market capitalisation)
- Product classification (price-wise) across the mass, high value and premium segments
- Marketing of mass products and high-value pens through distributors who cater to the requirement of outlets; Companies like Linc Pen also have direct retail outlets (Office Linc Stores) that market its own products
- Marketing of premium products through multi-brand high-end lifestyle outlets and exclusive shops; these outlets stock watches and accessories with a separate corner for premium brands. Occasionally, these products are supplied directly by manufacturers to the outlets
- Relative insulation from economic cyclicality and environmental

'Go green' initiative

Linc reiterated its environment commitment through its 'Refill More' initiative. This unique campaign promotes an increased use of refills since refills contain a lower amount of plastic. The 'Refill More' campaign will be introduced in schools during the Linc Pen's annual Spellinc competition, wherein drop boxes in schools will enable students to drop empty refills and pens for onward recycling. Free refills will also be distributed across schools and colleges to encourage the initiative.

Price-based segmentation of the industry



Industry growth drivers

- **Literacy thrust:** There is a strong correlation between the growth in literacy and a growth in the size of India's writing instrument industry (see later section).

- **Scale:** India is the second most populous nation, adding 1.376% annually to its population and widening the market for writing instruments *[Source: CIA World Fact Book, June 2010].*

- **Incomes:** India's per capita increased from Rs. 40,141 in 2008-09 to Rs. 44,345 in 2009-10, creating a basis for enhanced literacy and widening the market for writing instruments.

- **Industry changes:** Higher exports, consolidation, mergers and acquisitions are expected to catalyse industry growth.

- **Global sourcing:** Growing outsourcing by global stationery companies. Over the last year, foreign brands like Wal-Mart, Office Depot and Staples, hitherto procuring pens from China, scouted India for outsourcing opportunities.

- **Academic demand:** An increase in the demand of mass segment products during the academic season.

- **Corporate gifting:** The increased use of pens as corporate B2B gifts during the festive season.

Literacy growth and the writing instruments industry

Education outlay increased from Rs. 151.20 crore in the First Five Year Plan (1952-57) to Rs. 43,825 crore in the Tenth Five Year Plan (2002-2007). Education expenditure as a percentage of GDP rose from 0.64% in 1951-1952 to 3.7% in 2003-2004. Sources in the Planning Commission say GDP allocation to education will increase from 3.5% to 5% by the end of the Eleventh Five Year Plan, with around 19.7% of the total Plan resources set aside for education. The Plan outlay for the education sector as a whole will thus be over Rs. 220,000 crore, five times the Tenth Five Year Plan equivalent.

Literacy in the 15-19 age group is expected to increase to 85% by 2011, taking the number of literates in this age group to 103.4 million. According to a 'Status of Adult Literacy in India' study brought out by the National Literacy Mission, literacy rate in the age group of 15 and above, is slated to increase from 61% in 2001 to 67.8% by 2011. The total number of literates in the country is projected to climb from 405.5 million in 2001 to 573.2 million in 2011, an increase of 168 million.

Thanks to the Government's programmes for the education sector, including the Sarva Siksha Abhiyan, overall literacy increased 4.5 percentage points during the seven years from 1998-99 to 2005-06. "At this rate, about 40 million adult illiterates are estimated to become literate through adult literacy programmes during 2001-11. With this, the literacy rate for age group 15 and above will be around 73% by 2011," the study states.

The Eleventh Five Year Plan (2007-12) allocated unprecedented funds for education, outlining the greatest expansion in apex higher-education institutions in decades.

The Right to Education Bill, which makes primary education a fundamental right, was approved by a parliamentary panel.

Last year, the scheme was announced for 3,479 educationally backward blocks of the country. The new scheme would thus benefit an additional 25 million children, taking the total coverage to about 140 million children.

Secondary education also received a major boost for 2008-09, as the sector received an all-time high allocation of Rs. 4,554 crore.

The Finance Minister also announced that a Model School Programme, with an aim of establishing 6,000 high-quality model schools, will be started in 2008-09 for which Rs. 65 crore was allocated. Jawahar Navodaya Vidyalayas, in 20 districts with large concentration of SCs and STs, were allotted Rs. 130 crore.

India's literacy rate

Years	Literacy rate (%)
2005-06[1]	65.38
2006-07[2]	66.00
2008-09[3]	71.00

[1] *https://www.cia.gov/library/publications/the-world-factbook/print/in.html*

[2] *http://en.wikipedia.org/wiki/Literacy_in_India*

[3] *CRISIL Research, February 2010*

Educational schemes and literacy

- Sarva Shiksha Abhiyan, the flagship programme of the HRD ministry, received an allocation of Rs.13,100 crore, to be spent in enhancing student retention, a shift from the earlier focus on access and infrastructure.
- Following the success of the Sarva Shiksha Abhiyan, the government designed the Rashtriya Madhyamik Shiksha Abhiyan to universalise secondary education by 2020.
- The National Means-cum-Merit Scholarship facilitating students to pursue education from upper primary till higher secondary was provided with Rs. 750 crore, similar to last year.
- The Department of Higher Education witnessed a major hike in allocation last year owing to the 54% expansion for implementation of quotas for Other Backward Classes (OBCs) in central higher educational institutions.
- With an allocation of Rs. 8,000 crore for the Mid-Day Meal Scheme this year, all children up to Class VIII in government-run schools will be entitled to a free meal.

Efficiency driver 1

RAW MATERIAL MANAGEMENT

IN A BUSINESS WHERE EVEN although raw material prices are volatile, it is imperative that the best input quality be consistently maintained, procured, stored and used.

Linc is a quality-driven manufacturer. The Company uses plastic granules, tips, ink, packaging material, springs, metal parts and heat transfer foil. The Company imports quality ink and tips. The Company is also focusing on quality packaging material.

Plastic granules

Plastic granules are used for making pen shells. Linc uses eight varieties of plastic granules:

Polypropylene (PP): The major polyolefin used in Linc is polypropylene, a tough and mouldable polymer. This material is used mostly in the barrels of use-and-throw models. A random copolymer PP is also used in the barrel of the Ocean Gel Pen on account of its transparency.

High density polyethylene (HDPE): HDPE is used in caps, plugs and adopters of ball pens where flexibility and strength are needed equally.

General purpose polystyrene (GPPS): GPPS is a versatile plastic which is clear, hard and brittle, suitable for injection moulding applications. This material is used for making transparent barrels of ball pens.

Styrene acrylonitrile copolymer (SAN): This material is used for making transparent barrels of expensive pens on account of its strength and clarity.

Poly acetal: This novel material is used on account of its toughness and compressive strength in the mechanism of retractable pens and refill adopters for gel pen.

Acrylonitrile butadiene styrene (ABS): This terpolymer is used on account of its toughness. Linc uses this material for making clips, plugs and knobs – an excellent choice on account of its electroplating applications.

Thermoplastic elastomer: This material combines the properties of elastomers and thermoplastics. Elastomers are rubbers that can stretch easily; thermoplastics can be moulded with heat and used in the grips of many models for enhanced writing comfort.

Polycarbonate: This is the toughest transparent plastic material, used in transparent caps, where the locking mechanism is durable despite repeated cap opening and closing.

Masterbatches: These granular colour concentrates are mixed in a certain ratio to get the colour component. Linc uses lead-free master batches.

Tips

The Company's import dependence for this product declined as India emerged as a quality tip manufacturer. Indian tips proved popular abroad and whenever exports rose, the paucity in the Indian market tended to strengthen prices.

Brass tips: These tips are cheap, easy to produce and suitable for ordinary writing quality in economically priced pens. Normally the tip is made of brass with a 0.8 and 1 mm stainless steel ball.

Brass nickel plated: These tips have been produced for over two decades with a brass wire, coated with nickel for a better look. These tips are the most widely accepted as they provide a good writing consistency. These tips are used for normal ball pens (including retractable pens) with 0.7 to 1.20 mm ball diameter.

Nickel silver: For better writing quality, a new wire 'NS' was developed in the last decade, more expensive than brass wire. This tip lasts longer and the writing quality is better. Normally, these types are made with 0.5 and 0.6 mm balls for fine writing but 0.7 to 1.0 mm balls are also used. The NS wire and TC balls are of high quality and imported from Switzerland, Germany and the US.

Gel tips: Gel tips are used with gel ink, which is basically water-based and developed in the mid-Eighties. Gel pens were accepted across the world and replaced fountain pens. This tip, made of stainless steel wire with TC ball, is the most expensive tip.

Ink

The choice of the ink supplier is critical to pen quality. Different ink varieties are imported to feed a wide product array. Linc uses the following ink types in ball pens and gel pens:

High-viscosity ink: This thick ink is most common, the kind found in most stick pens.

Low-viscosity ink: This type of ink flows smoothly, providing the best writing pleasure.

Oil-based ink: This innovative ink is medium in viscosity, providing friction-free and vivid ink delivery. It is water-resistant, quick-drying and smear-proof.

Gel ink: This is a pigmented water-based ink with a smooth flow and dense colour. It allows brighter and more vivid colours to be produced.

Efficiency driver 2

OPERATIONS

IN A BUSINESS WITH HIGH RAW material costs and steady product realisations, margins must inevitably be derived from a high operational efficiency.

The principal driver of high operational efficiency is asset utilisation. In 2009-10, the Company enjoyed the benefit of the Falta plant going on-stream.

To enhance operational efficiency, the Company embarked on a number of initiatives. It added an auto-printing machine, injection-moulding unit and auto-assembly machine (for its popular Glycer product) at the Falta SEZ and Serakole.

The Company also embarked on a number of cost-cutting initiatives at its units:

- Previously, for its refill production, colours were matched with a combination of various inks. This changing of ink colours in machines took time. In 2009-10, the Company initiated a discipline to separate machines for separate ink colours, decreasing downtime.
- Tips were standardised to a particular make for each category, which saved the time it would have taken to change tips for each product line.

Efficiency driver 3

QUALITY

IN A BUSINESS WHERE CUSTOMER requirements are becoming increasingly diverse and demanding, the most effective brand driver is a consistently high product quality.

At Linc, the quality of a pen is checked from the initial stage:

Incoming materials:

- Plastic granules (test certificate from supplier is taken for each consignment)
- Ink and tips (batch-wise sample testing is done in an in-house lab)
- Packing materials and other bought out items; visual inspection at the time of receiving

Manufactured components and refills:

Since millions of components and refills are made each day, inspecting each one is virtually impossible. Consequently, line inspectors select random samples of each and check the quality by visual inspection or measurement, as applicable. The Company has a well-equipped quality control laboratory in Serakole.

- Writing test machine, electronic microscope and various other measuring instruments
- There are few special tests – like lead-free and ventilation test, among others – carried out at other laboratories (for international safety).

In addition to these tests, line inspectors are posted at each stage of manufacture. They visually inspect components, semi-finished components and finished pens as they are manufactured and assembled. Line inspectors are also posted at warehouses for final inspection before dispatch.

The result is that the Company's products have achieved a reputation for high potency and consistency, leading to customer loyalty. Consequently, the Company derived about 45% of its income in 2009-10 from customers (including distributors) working with Linc for over 10 years.

Efficiency driver 4

MARKETING AND DISTRIBUTION

IN THE BUSINESS OF WRITING instruments, the winner is inevitably the Company that delivers the most compelling price-value customer proposition.

Linc is competently placed to deliver this proposition within the country and abroad.

In 2009-10, the Company strengthened this proposition through the following initiatives:

Exports

The export revenue increased from Rs. 39.43 cr in 2008-09 to Rs. 52.18 cr in 2009-10, resulting in increased proportion of exports increased from 21% to 23.5% across the period. This growth was driven by the following initiatives:

- Targeted bigger global markets with a larger population in the Middle East, South America, Southeast Asia and Africa.
- Undertook proactive and intense branding in the Middle East and Southeast Asia with illuminated LINC Logos, POPs and store displays
- Initiated free sampling in large retail stores, schools and colleges for a first-hand product experience
- Initiated an awareness campaign on swine flu in schools in Yemen with handouts including free products (Linc Glycer)
- Introduced fancy colors in popular products to attract school children
- Undertook a comprehensive feedback from distributors and made key changes in packaging, printing and colours, thereby enhancing visibility of Linc
- Branded delivery vans for enhanced recognisability in different countries
- Graduated from OEM marketing to promoting the Linc brand

Exports

Year	2005-06	2006-07	2007-08	2008-09	2009-10
Export revenue (Rs. in cr)	20.42	26.64	38.62	39.43	52.18
Growth (%)	36.1	30.4	45.0	2.1	32.3

Consequently, the Company's exports grew by 32.3% from Rs. 39.43 cr in 2008-09 to Rs. 52.18 cr in 2009-10. Going forward, the Company will strive towards adding new geographies around the globe and increase export contribution in the total turnover.

Domestic

Even as India continues to be the largest single market for the Company's products, the proportion of domestic sales declined from 79% in 2008-09 to 76.5% in 2009-10. Domestic sales increased from Rs. 148.15 cr to Rs. 169.88 cr across the period. This performance was driven by the following initiatives:

- Introduced four products in the premium category (Signature, Ivy, Carbon and Royale) and introduced four pen products in the mass category (Cyber, Pacific 2, Siren Neo and Speed 2 Gel), supported by promotional schemes
- Incentivised the increased sale of premium products
- Inducted a fresh marketing team in western India for increased awareness and visibility
- Enhanced retail visibility through dealer boards and illuminated store displays
- Associated with IPL teams like Kolkata Knight Riders and Rajasthan Royals
- Renewed its endorsement with Shahrukh Khan
- Introduced the exclusive 'Club Linc' concept making it possible for dealers to become members of the Millionaire, Silver, Gold and Platinum categories following the achievement of targeted quarter-wise performance. The memberships attracted incentive schemes, holidays and fiscal benefits
- Introduced a scientific tool – the Distributor Evaluation Index – to assess distributor viability and effectiveness, based on parameters like software support, exclusivity, credit tenures, interest levels, damage settlements, stock delivery against booked orders, attitude, direct involvement with the Company and availability of warehousing space
- Initiated adequate manpower planning to enhance presence
- Direct coverage of markets with attractive addressable opportunity (comprising a population of 25,000+) with media support
- Launched a distributor helpline to facilitate order placements, shipment enquiries and deliveries
- Extended the popular inter-school word-cracking competition called 'Spel Linc' (covering over 175 schools in eastern India) to Bangalore, Chennai, Delhi, Kanpur, Mumbai and Jaipur across 500 schools

Domestic revenue

Year	2005-06	2006-07	2007-08	2008-09	2009-10
Domestic revenue (Rs. in cr.)	113.75	117.20	135.39	148.15	169.88
Growth (%)	6.5	3.0	15.5	9.4	14.7

Efficiency driver 5

HUMAN RESOURCE MANAGEMENT

IN A BUSINESS WHERE SKILLED people influence success, it is imperative to attract, train and retain people.

Linc, being a professionally managed company, recognises the importance of effective human resource development. The Company believes in manpower being the key resource for all growing companies. A balance between authority and responsibility is integral to the organisational culture. New ideas are encouraged with free participation, irrespective of hierarchy.

Growth prospects: The Company developed a structured appraisal system, conducted in a scientific manner, with the deserving being commensurately rewarded.

Employee well being: The Company extended beyond conventional and statutory benefits to offer non-statutory benefits like personal accident coverage, wedding gifts and special leaves on birthdays and marriage anniversaries, among others. Besides, to encourage literacy among the children of the Company's workmen and support staff, the Company provides education allowance to meet a portion of education expenses for up to two children.

Recruitment and selection: The Company recruits manpower through employee referrals, print advertisements and headhunting firms apart from referring to its databank of resumes. The HR manager and the head of the department concerned conduct interviews of incumbents. For senior managerial positions, the Managing Director meets the candidate in the final selection process.

Training and development: The organisation offers attractive career growth and inputs that enrich employee knowledge.

Finance Review

Financial analysis

Revenue	EBIDTA	PBT	Profit after tax	EBIDTA margin
18.2%	27.6%	68.8%	66.6%	7.4%
Growth over 2008-09	Growth over 2008-09	Growth over 2008-09	Growth over 2008-09	Growth over 2008-09

Revenue

The Company's total revenue grew 18.2% from Rs. 19,075.50 Lacs in 2008-09 to Rs. 22,544.68 Lacs in 2009-10, owing to improved domestic and global demand and better market realisations.

Product-wise sales mix

Pens: The Company sold 550.8 million pens in 2009-10 compared with 479.9 million in 2008-09, registering a 14.8% increase in sales. The total sales value increased to Rs. 16,823 Lacs in 2009-10 against Rs. 14,126 Lacs in 2008-09. Per capita realisation improved from Rs. 2.94 to Rs. 3.05.

Pencils: The Company's pencil sales stood at 74.8 million in 2009-10 compared with 58 million in 2008-09, a 29.1% increase in sales. Besides, the total sales increased to Rs. 1,231 Lacs in 2009-10 against Rs. 935 Lacs in 2008-09. Per capita realisation improved from Rs. 1.61 to Rs. 1.64.

Refills: The Company's refill sales increased 12.5%, from 167.90 million in 2008-09 to 188.8 million in 2009-10. Total sales increased from Rs. 2,289 Lacs in 2008-09 to Rs. 2,525 Lacs in 2009-10.

Operating expenditure

Raw material consumption: Raw material consumption increased 11% (including purchase of trading goods) from Rs. 12,803.58 Lacs in 2008-09 to Rs. 14,208.27 Lacs in 2009-10 owing to increase in volume.

Power and fuel cost: Power and fuel cost increased 21.3% from Rs. 96.39 Lacs in 2008-09 to Rs. 116.91 Lacs in 2009-10 owing to increased production.

Employee costs: Providing superior customer service to both existing and new clients, the Company increased its employee base from 561 in 2008-09 to 632 in 2009-10, increasing employee costs by 22.6% from Rs. 790.79 Lacs in 2008-09 to Rs. 969.22 Lacs in 2009-10. EBIDTA per employee stood at Rs. 2.58 Lacs in 2009-10 against Rs. 2.28 Lacs in 2008-09.

Margins

The Company increased sales volume, larger proportion of value-added products from 13% in 2008-09 to 19% in 2009-10 and optimised operational cost, resulting in sizeable EBIDTA growth to Rs. 1,631.99 Lacs in 2009-10 from Rs. 1,279.40 Lacs in 2008-09. Consequently, profitability indices improved considerably over the previous year.

Profitability margins

	2009-10	2008-09	2007-08
EBIDTA margin (%)	7.3	6.8	6.8
PBT margin (%)	5.2	3.6	3.4
PAT margin (%)	3.8	2.7	2.9

Sources of funds

Net worth	Return on capital employed (ROCE)	Debt-equity ratio	Book value per share
15.9%	19.9%	0.55:1	Rs. 32.58
Growth over 2008-09	As on 31st March 2010	As on 31st March 2010	As on 31st March 2010

The Company's capital employed declined 1.8% from Rs. 6,732.50 Lacs as on 31st March 2009 to Rs. 6,613.76 Lacs as on 31st March 2010, owing to better working capital management practices followed by the Company, which in turn improved ROCE from 14.4% in 2008-09 to 19.9% in 2009-10.

RISK MANAGEMENT

RISK IS THE UNCERTAINTY INVOLVING SITUATIONS AND THE IMPACT OF THEIR POSSIBLE OUTCOMES ON EVENTS. EVERY RESPONSIBLE CORPORATE PUTS IN PLACE CERTAIN RISK MITIGATION MECHANISMS THAT PROTECT THE BUSINESS FROM ADVERSE BUSINESS EFFECTS. LINC IS EXPOSED TO VARIOUS EXTERNAL AND INTERNAL RISKS AND UNDERTAKES THE FOLLOWING INITIATIVES TO MITIGATE THEIR IMPACT.

Raw material risk

A SIGNIFICANT RISE IN RAW MATERIALS PRICES AND OTHER INPUT COSTS CAN DENT THE COMPANY'S PROFITABILITY. THE COMPANY'S MAJOR INPUTS (PLASTIC POWDER, INK AND TIPS, AMONG OTHERS) ARE LINKED TO THE PRICE OF CRUDE OIL, WHICH INCREASED FROM US$40 LEVEL TO US$70 LEVEL IN A YEAR. IT MAY NOT BE POSSIBLE TO PASS ON ALL COST ESCALATIONS TO CUSTOMERS.

Risk mitigation

The Company possesses a broad product basket. Raw material prices (63% of net sales), moderated in the initial part of 2009-10, widening margins. Its increasing exposure in the high margin, high-value segment will mitigate the related risk.

Industry risk

ANY INDUSTRY SLOWDOWN COULD AFFECT THE TOPLINE.

Risk mitigation

- The domestic pen industry is competitive, marked by low entry barriers and unorganised players. However, the share of the organised sector is increasing owing to better quality, increasing brand awareness and a wider distribution network.
- India's writing instruments industry is expected to grow, driven by modern lifestyles, government initiatives, education, enhanced literacy and economic growth.

Quality risk

SINCE THE COMPANY'S SUCCESS IS BASED ON WRITING COMFORT, ANY QUALITY INCONSISTENCY CAN DENT THE BRAND.

Risk mitigation

- The Company's products undergo multi-stage quality checks from raw material procurement and assembly to finished goods delivery.
- All products are checked batch-wise at regular frequencies, enhancing product quality assurance.

Competition risk

LINC PENS IS EXPOSED TO INTENSE COMPETITION IN ITS MAINSTAY CATEGORY (PENS PRICED UP TO RS. 5 PER PIECE) FROM PLAYERS IN THE UNORGANISED SECTOR, DEPRESSING MARGINS.

Risk mitigation

Although competitive pressures are expected to increase following influx of unorganised sector, the risk is partly offset by the relative high quality of Indian pens, ability to cater to higher volumes, dependable delivery commitments and competitive pricing. Additionally, Linc Pens' focus on differentiated brand positioning and growing value-added presence are expected to offset these risks.

Customer relationship risk

AN INABILITY TO ADDRESS DEMANDING CUSTOMER NEEDS COULD LEAD TO CUSTOMER ATTRITION.

Risk mitigation

- The Company derived around 45% of its income in 2009-10 from customers who had been with it for over 10 years.
- The Company's newly commissioned Falta plant enabled it to service growing customer needs better through larger volumes and a quicker turnaround; also the plant possesses adequate capacity and capability to supply all product types.
- The Company possesses the ability to customise products according to customer specifications.

Product portfolio risk

THE INABILITY TO EXPAND THE PRODUCT PORTFOLIO COULD LEAD TO STAGNATION.

Risk mitigation

- The Company widened its product portfolio through strategic alliances with leading international companies such as Mitsubishi Pencil Co. Ltd (Japan) and C. Joseph Lamy GmbH (Germany). These alliances help the Company tap the high-margin high-value segment.
- The Company also forayed into the entry-level market of the premium segment, expected to help it enhance its overall margins.
- The Company has products like pencils, erasers, sharpeners, rulers and allied stationery products in its kitty that not only help it broaden its product line, but also helps maintain a healthy mix in its product portfolio.

Margins risk

MARGINS MAY BE AFFECTED OWING TO DISPROPORTIONATE INCREASE IN COSTS OVER SALES.

Risk mitigation

- The Company has a steady topline growth and its revenues increased at a healthy rate of around 11% across the past three years, driven largely by its low-cost, value-added strategy.
- The Company's EBIDTA margin in 2009-10 steadied at 7.3% (6.8% in 2008-09). A combination of the Company's increased presence in the high-value segment and recent plastic price softening are likely to widen margins.
- The Company's higher spending related to the introduction of Shahrukh Khan as brand ambassador in FY09 started to deliver results from Q1FY10, reflected in a 20% increase in sales.
- The Company's working capital cycle declined from 151 days of turnover equivalent in 2008-09 to 111 days in 2009-10.

Geographic risk

AN OVERDEPENDENCE ON ANY PARTICULAR REGION COULD THREATEN REVENUES.

Risk mitigation

- The Company entered the Middle East, Southeast Asia and Africa, spreading its risk over growing geographies.
- The Company expects to enhance its presence across CIS countries, including Russia.
- The Company registered its brand in 30 countries and marketed its products in over 20.
- The Company supplied pens to global retail giants like Walmart, Poundland, WH Smith and Tesco for their private label needs.
- The Company derived around 79% of its revenues from within India in 2008-09 and 76.5% in 2009-10.

Forex risk

RUPEE APPRECIATION CAN IMPACT THE COMPANY'S EXPORT VALUE. THE RUPEE'S CONTINUED APPRECIATION AGAINST THE US DOLLAR CAN AFFECT THE BOTTOMLINE.

Risk mitigation

- The Company intends to cover a portion of its foreign currency exposure through forward contracts to mitigate the adverse impact of currency fluctuations.
- The Company has natural hedging for forex risks. As the Company imports raw materials and exports products, it is naturally protected against adverse forex situations.

DIRECTORS' PROFILE

Shri Prahlad Rai Agarwala

72, Director, a Commerce and Law graduate, 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 casualwear company.

Dr. Ranjan Das

61, Director, an M.Sc (Applied Mathematics) and a Doctorate in Strategic Management. He is currently a Professor of Strategic Management at the Indian Institute of Management, Calcutta. He has an impeccable record as a leading advisor in strategic planning and management to several corporates. He has over 14 years experience in strategic and functional management, teaching, training, consulting and research. Prior to that, he had 20 years of industry experience during which he held senior positions as GM of an MNC and MD of a joint sector company.

Shri Sohan Lal Kochar

78, Director, a postgraduate in commerce and LLB, is a leading advisor on income tax matters. He brings with him a wide experience to the Board. He has been a guiding force since the very inception of the Company.

Shri Naresh Pachisia

47, Director, a Certified Financial Planner (CFP) is the Promoter-Managing Director of SKP Securities Ltd, a leading stock broking and wealth management service provider.

Shri Kedar Nath Ranasaria

76, Director, is a post-graduate and brings with him over four decades of experience in finance, manufacturing and other allied areas. He is associated with Balrampur Chini Mills Limited, one of India's leading sugar companies.

Shri Prakash Jalan

44, Director, a commerce graduate with 22 years of experience in the business, looks after Goa operations and advices on manufacturing functions of the Company.

Shri Aloke Jalan

41, Wholetime Director, a Commerce graduate with 19 years of experience in the business, looks after the Company's marketing operations with special emphasis on the western and southern regions.

Shri Deepak Jalan

48, Managing Director, a Commerce graduate with 24 years of experience in the business, 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 16th Annual Report together with the audited accounts of the Company for the year ended 31st March 2010.

Financial Highlights

(Rs. in Lacs)

	2009 – 10	2008 – 09
Sales & Other Operational Income	22544.68	19075.50
Other Income	20.51	162.98
Profit before depreciation, interest and taxation	1631.99	1279.40
Interest	169.75	285.91
Depreciation	307.37	309.29
Profit before Tax	1154.87	684.20
Provision for Taxation – Current	306.00	124.00
– Deferred	6.01	32.88
– Fringe Benefit Tax	–	23.50
– Income Tax for earlier years	3.35	–
Profit after Tax	839.51	503.82
Add: Credit Balance of the previous year	125.55	196.11
Amount available for Appropriation	965.06	699.93
Transfer to General Reserve	500.00	350.00
Proposed Dividend	230.15	191.79
Corporate Tax on Dividend	39.11	32.59
Balance carried to Balance Sheet	195.80	125.55

Dividend

Your Directors recommend a Dividend of Rs. 1.80 per equity share (previous year Rs. 1.50 per equity share) for the year ended 31st March 2010.

Financial Performance

Performance: During the year under review, the Company's Sales (incl. Other Operational Income) increased by 18.2% to Rs. 22544.68 Lacs as compared to Rs. 19075.50 Lacs during the preceding year. The Company spend Rs. 970.23 Lacs (4.3% of Sales) on Advertisement & Promotion in 2009-10 as compared Rs. 833.28 Lacs (4.4% of Sales) in 2008-9. The Profit after Tax during the year was Rs. 839.51 Lacs which is 66.6% higher than previous year.

Finance Cost: The Interest cost was down by 40.6% at Rs. 169.75 Lacs in 2009-10 from Rs. 285.91 Lacs in 2008-09. The Interest / Turnover was 0.8% and Interest Cover is 9.6 in 2009-10, which were 1.5% and 4.5 respectively in 2008-09.

The Company retained its "P1" rating as regards to 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.

Working Capital: The year-end debtors are 33 days of the sales for the year as compared to 37 days in the previous year. The inventory holding is for 78 days' sales as compared to 114 days in the previous year.

Fixed Assets: The Company spent Rs. 541.51 Lacs on acquisition of Fixed Assets, mainly consisting of moulds and machines at existing facilities.

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 2010 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 Bombay Stock Exchange Limited (BSE), and the The Calcutta Stock Exchange Association Limited (CSE).

Directors

Shri Prakash Jalan resigned from the Whole Time Directorship of the Company with effect from 15th April 2010 and is continuing as Director of the Company. In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Shri Sohan Lal Kochar and Dr. Ranjan Das, 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.

Particulars of Employees

Information to be provided under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of the Employees) rules, 1975, is given in Annexure –D forming part of this report.

Auditors

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

Acknowledgement

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

For and on behalf of the Board

Place : Kolkata
Dated : 29th May 2010

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

ANNEXURE – C

A. Conservation of Energy

a) The following energy conservation measures are taken on continuing basis :-

1. Regular preventive maintenance of all equipment for better efficiency.
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.

The Company is however, carrying on continuous education and awareness programs for its employees for energy conservation. But no major specific investment proposals are envisaged.

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 and also their packaging to meet the changing market taste / profile.

C. Foreign Exchange Earnings and Outgo

a) **Activities relating to exports; initiatives taken to increase exports:-** New products are developed by the Company for export markets along with improvement in quality and cost. The Company regularly participates in important international fairs/exhibitions held across the globe.

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. 2,676.95 Lacs

Foreign Exchange Earned –
Rs. 5,176.02 Lacs

ANNEXURE – D

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules and forming part of the Directors' Report for the year ended 31st March 2010

Name	Designation	Remuneration subject to tax (Rs.)	Qualification	Age / Experience (Years)	Date of Commencement of Employment	Details of last employment
Shri Deepak Jalan	Managing Director	4,375,000	B.Com	48 / 24	01.04.1995	Self employed
Shri Aloke Jalan	Whole Time Director	3,253,130	B.Com	41 / 19	01.05.2004	Self employed

Notes:

1. The nature of employment is contractual and other terms and conditions are as per Company's rules.
2. Remuneration includes Company's contribution to provident fund, provision for medical treatment as per Company's rules, monetary value of perquisites calculated as per Income Tax Act / Rules and does not include provisions for leave encashment , premium for gratuity and group insurance.

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	1	Nil	Nil
Shri Prakash Jalan	Promoter, Executive	1	Nil	Nil
Shri Aloke Jalan	Promoter, Executive	Nil	Nil	Nil
Shri S. L. Kochar	Independent, Non- Executive	1	1	1
Shri P. R. Agarwala	Independent, Non- Executive	2	Nil	Nil
Shri Naresh Pachisia	Independent, Non- Executive	6	9	4
Shri K. N. Ranasaria	Independent, Non- Executive	Nil	Nil	Nil
Dr. Ranjan Das	Independent, Non- Executive	Nil	Nil	Nil

** Directorships in Private Companies are not included.*

There is no permanent Chairman in the Board. None of the Directors is a member of more than ten committees or Chairman of more than five committees across all Companies.

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

During the financial year ended 31st March 2010, five Board Meetings were held on 19th May 2009, 29th June 2009, 31st July 2009, 31st October 2009 and 27th January 2010. The attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) is as under :

Name of the Directors	No. of Board meetings attended	Attendance at last AGM held on 23.09.2009
Shri S. L. Kochar	4	Present
Shri P. R. Agarwala	2	Leave of Absence
Shri Naresh Pachisia	4	Present
Shri K. N. Ranasaria	4	Leave of Absence
Dr. Ranjan Das	4	Leave of Absence
Shri Deepak Jalan	5	Present
Shri Prakash Jalan	2	Present
Shri Aloke Jalan	3	Present

3. Code of Conduct

The Code of Conduct and ethics as adopted by the Board of Directors of the Company is applicable to its Directors and Senior Executives. All the Board Members and Senior Management personnel have affirmed compliance with the code of conduct. A declaration to this effect signed by the Managing Director is attached and forms part of the Annual Report of the Company. The Code of Conduct of the Company has been posted on the website at www.lincpen.com for general viewing.

4. Audit Committee

The Audit Committee presently comprises of three Directors, two of whom are Independent and Non-Executive. All these Directors possess knowledge of corporate finance, accounts and law. The Audit Committee was re-constituted with the induction of Shri Deepak Jalan, Managing Director, as a Committee member in lieu of Shri Naresh Pachisia. During the financial year ended 31st March 2010, five Audit Committee Meetings were held on 19th May 2009, 29th June 2009, 31st July 2009, 31st October 2009 and 27th January 2010. The attendance of the Members were as under-

Members	No. of Meetings Attended
Shri S. L. Kochar, Chairman	4
Shri Naresh Pachisia	4
Shri K. N. Ranasaria	4
Shri Deepak Jalan	1

The role, powers, duties 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 is permanent invitee at the meetings of the Committee.

5. Remuneration Committee

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

Remuneration Policy : Non-executive directors are remunerated by way of sitting fees and are also entitled to a commission (to divided among them in such proportion as the Board may determine from time to time) not exceeding 1% of the net profits only. The Company pays remuneration by way of Salary, Perquisites, Allowances and Commission 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	Relation with other Directors	Salary Rs.	Benefits Rs.	Sitting Fees Rs.	Commi-ssion Rs.	Total Rs.	Service contract/ Notice period/ Severance fees
Shri Deepak Jalan	Brother of Whole Time Director	30,00,000	375,000	–	10,00,000	43,75,000	Terms of office valid upto 30.09.10. No notice period & severance fee.
Shri Prakash Jalan	Brother of Managing Director	15,00,000	180,000	–	5,00,000	21,80,000	-do-
Shri Aloke Jalan	- do -	24,00,000	353,130	–	5,00,000	32,53,130	-do-
Shri S. L. Kochar	None	–	–	44,000	2,00,000	2,44,000	Retire by rotation
Shri P. R. Agarwala	None	–	–	20,000	2,00,000	2,20,000	-do-
Shri Naresh Pachisia	None	–	–	46,750	2,00,000	2,46,750	-do-
Shri K. N. Ranasaria	None	–	–	44,000	2,00,000	2,44,000	-do-
Dr. Ranjan Das	None	–	–	40,000	2,00,000	2,40,000	-do-

6. Shareholders' Committee

i) Share Transfer Committee

The Share Transfer Committee comprises of Shri Deepak Jalan and Shri Naresh Pachisia. The Committee deals 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 2010, 11 (eleven) Share Transfer Committee Meetings were held. Number of Shares pending for transfer as on 31st March 2010 were Nil.

ii) Shareholder/Investor Grievances Committee

The Shareholder / Investor Grievances Committee comprises of Shri K. N. Ranasaria as the Chairman and Shri Deepak Jalan. The Committee is to oversee the redressal of the Shareholders' and Investors' grievances in relation to transfer of shares, non-receipt of Annual Report, non-receipt of dividend etc. The total number of complaints received and replied, to the satisfaction of the shareholders during the year were 11. There were no outstanding complaints as on 31st March 2010.

iii) Compliance Officer

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

7. General Body Meeting

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

Financial Year	Date	Location of the Meeting	Time
2006 – 2007	14.09.2007	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata – 700 020	3.30 p.m.
2007 – 2008	12.09.2008	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata – 700 020	3.30 p.m.
2008 – 2009	23.09.2009	Shripati Singhania Hall, 94/2, Chowringhee Road, Kolkata – 700 020	3.30 p.m.

One special resolution was passed at the 14th Annual General Meeting of the Company held on 12.09.2008 but no postal ballot resolution was required to be passed by the Company. No special resolution is proposed to be conducted through postal ballot at the forthcoming AGM to be held on 15th September 2010.

8. Disclosures

i) Details of related party transactions during the year have been set out under Note No. 'B-8' of Notes on Accounts of Schedule '18' of the Annual Accounts. However, 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.

iii) The Company is regularly complying with all the mandatory requirements of Clause 49 of the Listing Agreement regarding Board Composition, Code of Conduct, Audit Committee, quarterly and annual disclosures etc. The Company has adopted the non-mandatory requirement of remuneration committee.

iv) The Non-executive Directors does not hold any shares of the Company as on 31st March 2010.

v) The particulars of directors seeking reappointment are given in the explanatory statement to the notice of Annual General Meeting.

vi) The Company had no subsidiary as on 31st March 2010.

vii) The Company has laid down risk assessment and minimisation procedures and the same is periodically reviewed by the Board. Further, the Company has adequate internal control systems to identify the risk at appropriate time and to ensure that the executive management controls the risk in a properly defined framework.

9. Means Of Communication

i) A half-yearly report was not sent to each household of the shareholders. Shareholders were intimated through the press and the Company's website – www.lincpen.com about the quarterly performance and financial results of the Company.

ii) The quarterly and half yearly results are published in the leading newspapers in English and Bengali such as The Business Standard, Aaj Kal, Kalantar and Financial Express.

iii) As per 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.corpfiling.co.in.

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

v) No presentation has 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.

10. 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	:	15th September 2010 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 2010 2nd Qtr – end October 2010 3rd Qtr – end January 2011 4th Qtr – end May 2011
iii) Book closure date	:	08.09.2010 to 15.09.2010 on account of AGM and Dividend.
iv) Dividend payment date	:	After 15th September 2010
v) Listing of Equity Shares on Stock Exchanges at	:	i) The Calcutta Stock Exchange Association Ltd 7, Lyons Range, Kolkata – 700 001 i) Bombay Stock Exchange Ltd, The Corporate Relationship Department Rotunda Building, PJ Tower, Dalal Street, Fort, Mumbai – 400 001
vi) Listing Fees	:	Listing fee for the year 2009 – 2010 has been paid to the above Stock Exchanges.
vii) Stock Code	:	Bombay Stock Exchange – 531241 Calcutta Stock Exchange – 10022035 Demat ISIN No. – INE 802B01019

viii) Market Price Data – High /Low during each month of the year ended 31st March 2010, at the Bombay Stock Exchange :

Month	High (Rs.)	Low (Rs.)
April, 2009	29.80	20.55
May, 2009	35.50	23.55
June, 2009	36.90	24.55
July, 2009	31.50	24.45
August, 2009	39.00	28.00
September, 2009	47.95	33.00
October, 2009	47.50	39.00
November, 2009	47.70	33.50
December, 2009	57.00	43.30
January, 2010	73.40	53.75
February, 2010	71.25	59.00
March, 2010	72.60	65.00

ix) Share Price performance in 2009-10 comparison to broad based indices – BSE Sensex

% Change in Linc's Share Price:(+) 219.4%

% Change in BSE Sensex (+) 80.5%

x) Share Transfer System

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

xi) Distribution of Shareholding :

Distribution of Shareholding by Ownership

Holding Pattern	No. of Shares	Shareholding %
1 Promoters & Associates	88,17,408	68.96
2 NRI, FIIs, etc.	75,512	0.59
3 Private Corporate Bodies	15,15,176	11.85
4 Indian Public	23,77,864	18.60
Total	**1,27,85,960**	**100.00**

Distribution of Shareholding by Size:

Range of Shares	Shareholders		Shares	
	Number	%	Nos.	%
1 to 500	4549	84.93	5,84,703	4.57
501 to 1000	355	6.63	2,99,888	2.35
1001 to 5000	340	6.35	8,14,018	6.37
5001 to 10000	43	0.80	3,45,566	2.70
10001 & above	69	1.29	1,07,41,785	84.01
Total	**5356**	**100.00**	**1,27,85,960**	**100.00**

xii) Dematerialisation of Shares

Holding	No. of Holder	%	No. of Shares	%
Physical	927	17.31	2,82,792	2.21
Demat	4429	83.35	1,25,03,168	97.79
Total	**5356**	**100.00**	**1,27,85,960**	**100.00**

xiii) Oustanding GDR/ADR or any convertible Instruments : Not Applicable

xiv) The manufacturing facilities of the Company are located at :

a. Linc Estate, Usthi Road, Serakole, 24 Paragans (South), West Bengal;

and

b. Falta SEZ, Sector II, Shed No.2, Falta, 24 Paragans (South), West Bengal.

xv) 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 – 3041 2100 / 2479 0248,
Fax – 2479 0253
e-mail – investors@lincpen.com

Declaration

As provided under Clause 49 of the Listing Agreement with Stock Exchanges, all the Directors and Senior Management have affirmed compliance with the Companies Code of Conduct during the financial year ended 31st March 2010.

Deepak Jalan
Managing Director

Kolkata, 29th May 2010

CEO / CFO CERTIFICATION

The Board of Directors
Linc Pen & Plastics Limited
Kolkata

Re: Financial Statements for the financial year 2009 –10 - Certification by MD and GM Finance

We, Deepak Jalan, Managing Director and N. K. Dujari, G. M.- Finance & Company Secretary, of Linc Pen & Plastics Limited , on the review of financial statements and cash flow statement for the year ended 31st March 2010 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March 2010 which are fraudulent illegal or violative of Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, for financial reporting, we have evaluated the effectiveness of the internal control systems of the Company pertaining the financial reporting and we have disclosed to the auditors and the Audit Committee those deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
5. We have indicated to the Auditors & the Audit Committee : -
   (i) there have been no significant changes in internal control over financial reporting during the period.
   (ii) there have been no significant changes in accounting policies during the period.
   (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems over financial reporting.

Kolkata	**N. K. Dujari**	**Deepak Jalan**
29th May 2010	*G. M. – Finance &*	*Managing Director*
	Company Secretary	

AUDITORS' 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 2010, 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 2010.

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
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata - 700 001

Date: The 29th day of May 2010

FINANCIAL SECTION

AUDITORS' REPORT

To the Members of
Linc Pen and Plastics Limited

1. We have audited the attached Balance Sheet of **LINC PEN AND PLASTICS LIMITED** as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date (in which are incorporated the accounts of Company's branches at Goa 2, audited by other Auditors), annexed thereto. These financial statements are the responsibility of the company's management company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of account and with the audited returns from the branches;

iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;

v) On the basis of written representations received from such directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

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

a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

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 Flows for the year ended on that date.

For **G.P. AGRAWAL & CO.**
Chartered Accountants
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May 2010

Annexure to the Auditor's Report

Referred to in paragraph 3 of our report to the members of LINC PEN AND PLASTICS LIMITED on the accounts for the year ended 31st March 2010:

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. In respect of inventories lying with third parties, confirmation has been obtained from them.

b) In our opinion and according to the information and explanations given to us, the procedures 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, firms 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 or 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 the register maintained under section 301 of the Act, the provisions of para (iii)(f) to (iii)(g) of the paragraph 4 of the said order are not applicable to the company.

iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system, commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in internal control system.

v) a) In our opinion and according to the information and explanations given to us, particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

b) In our opinion and according to the information and explanation given to us, these transactions made in pursuance of such contracts have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

vi) The Company has not accepted any deposit within the meaning of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.

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, 2010 for a period of more than six months from the date of becoming payable.

b) The disputed statutory dues aggregating to Rs. 21,880,079 that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount Relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	2,049,095	A.Y. 2002-03	Commissioner of Income Tax (Appeals).
The Income Tax Act, 1961	Income Tax	4,945,170	A.Y. 2003-04	Commissioner of Income Tax (Appeals).
The Income Tax Act, 1961	Income Tax	12,951,927	A.Y. 2004-05	Commissioner of Income Tax (Appeals).
The Income Tax Act, 1961	Income Tax	1,933,887	A.Y. 2007-08	Commissioner of Income Tax (Appeals).
		21,880,079		

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) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has no dues of financial institution or debenture holders as at the Balance Sheet date.

xii) According to the information and explanation given to us, 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) According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures or other investments. However, the investments made by the Company in Government securities have been held in its own name.

xv) According to the records of the Company and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi) On the basis of our examination and according to the information and explanation given to us, the term loans have been applied for the purpose for which the loans were obtained.

xvii) According to the records of the Company and according to the information and explanation given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

xix) The Company has not issued any debenture.

xx) The Company has not raised any money during the year by public issue.

xxi) In our opinion and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year that causes the financial statements materially misstated.

For **G.P. AGRAWAL & CO.**
Chartered Accountants
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May 2010

Balance Sheet

(Amount in Rupees)

As at 31st March,	Schedule	2010	2009
I. SOURCES OF FUNDS			
1. **Shareholders' Funds**			
a) Share Capital	1	127,859,600	127,859,600
b) Reserves & Surplus	2	288,664,842	231,639,669
		416,524,442	359,499,269
2. **Loan Funds**	3		
a) Secured Loans		206,480,589	272,161,299
b) Unsecured Loans		21,921,519	25,741,085
		228,402,108	297,902,384
3. **Deferred Tax Liability - Net**		16,449,186	15,848,699
(Refer Note No. B-11 of Scdeule 18)			
Total		**661,375,736**	**673,250,352**
II. APPLICATION OF FUNDS			
1. **Fixed Assets**	4		
a) Gross Block		376,514,971	339,913,238
b) Less: Depreciation		201,024,590	180,388,846
c) Net Block		175,490,381	159,524,392
d) Capital Work In Progress		20,095,659	19,464,556
		195,586,040	178,988,948
2. **Current Assets, Loans and Advances**			
a) Inventories	5	475,417,400	586,904,376
b) Sundry Debtors	6	199,162,581	191,201,527
c) Cash & Bank Balances	7	4,312,473	5,751,554
d) Loans & Advances	8	65,641,810	50,749,165
		744,534,264	834,606,622
Less : Current Liabilities & Provisions			
a) Current Liabilities	9	234,115,988	311,776,642
b) Provisions	10	44,628,580	28,568,576
		278,744,568	340,345,218
Net Current Assets		465,789,696	494,261,404
Total		**661,375,736**	**673,250,352**
Significant Accounting Policies and Notes on Accounts	18		

Schedules 1 to 10 and 18 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
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

For and on behalf of the Board

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

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

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May, 2010

LINC
Zindagi Ke Liye

Profit and Loss Account

(Amount in Rupees)

For the year ended 31st March,	Schedule	2010	2009
INCOME			
Sales	11	2,220,586,340	1,875,803,839
Other Operational Income	12	33,881,491	31,745,859
Other Income	13	2,050,802	16,297,947
Increase / (Decrease) In Stocks	14	(58,477,528)	90,223,979
		2,198,041,105	**2,014,071,624**
EXPENDITURE			
Raw Materials & Components Consumed	15	877,329,671	819,972,278
Purchases of Trading Goods		543,496,876	460,386,192
Manufacturing, Administrative, Selling & General Expenses	16	614,016,041	605,773,488
Interest	17	16,974,616	28,590,575
Depreciation		30,736,991	30,928,996
		2,082,554,195	**1,945,651,529**
Profit Before Taxation		**115,486,910**	**68,420,095**
Provision For Taxation			
- Current Tax		30,600,000	12,400,000
- Fringe Benefit tax		-	2,350,000
- Deferred Tax		600,487	3,288,086
- Income Tax for Earlier Years		335,169	-
Profit After Taxation		**83,951,254**	**50,382,009**
Balance Brought Forward		12,554,993	19,611,385
Profit Available for Appropriation		**96,506,247**	**69,993,394**
APPROPRIATIONS			
General Reserve		50,000,000	35,000,000
Proposed Dividend		23,014,728	19,178,940
Tax on Proposed Dividend		3,911,353	3,259,461
Balance Carried to Balance Sheet		19,580,166	12,554,993
		96,506,247	**69,993,394**
Earning Per Share - Basic & Diluted (Face Value Rs.10/- each)		6.57	3.94
(Refer Note No. B-7 of Schedule 18)			
Significant Accounting Policies and Notes on Accounts	18		

Schedules 11 to 18 referred to above form an integral part of the Profit and Loss Account

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

For G. P. Agrawal & Co.
Chartered Accountants
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May, 2010

For and on behalf of the Board

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

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

Schedules to the Balance Sheet

(Amount in Rupees)

As at 31st March,		2010		2009
1 SHARE CAPITAL				
Authorised				
13,000,000 (Previous year 13,000,000) Equity Shares of Rs.10/- each		130,000,000		130,000,000
Issued, Subscribed and Paid up				
12,758,960 (8,000,300) Equity Shares of Rs.10/-	127,859,600		80,003,000	
(Of the above 4,785,660 (Previous year Nil) Equity Shares have been issued to the members of erstwhile Shree Writing Aid Private Limited pursuant to the Scheme of Amalgamation as fully paid up without payment received in cash)				
Equity Share Capital Suspense	-	**127,859,600**	47,856,600	**127,859,600**
2 RESERVES & SURPLUS				
General Reserve				
As per last account	189,390,676		196,084,569	
Add: Transferred from Profit & Loss Account	50,000,000		35,000,000	
Less: Adjustment on Amalgamation	-	239,390,676	41,693,893	189,390,676
Securities Premium Account				
As per last account		29,694,000		29,694,000
Profit & Loss Account				
Surplus as per Profit & Loss Account		19,580,166		12,554,993
		288,664,842		**231,639,669**
3 LOAN FUNDS				
Secured Loans				
From Scheduled Banks *				
Term Loan		-		5,747,166
Short Term Loan		22,500,000		-
Packing Credit		90,756,625		128,311,784
Cash Credit		59,038,964		122,445,548
Foreign Currency Loan		34,185,000		15,656,801
*Secured by hypothecation of Plant & Machinery, Moulds & Current Assets of the Company and first charge by way of Equitable Mortage of Immovable Properties and Other Fixed Assets of the Company and also guaranteed by Managing Director, Whole Time Director and associate concerns of the Company.				
		206,480,589**		272,161,299**
Includes term Loan repayable within one Year Rs. 56,685,000/- (Previous Year Rs. 14,669,700/-)				
Unsecured Loans				
Trade Deposits*		21,921,519		25,741,085
*Includes Interest Accrued and due Rs. 1,322,264/- (Previous Year Rs.1,492,830/-)				
		21,921,519		**25,741,085**

Schedules to the Balance Sheet

(Amount in Rupees)

4 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April 2009	Additions during the Year	Deductions During the Year	As at 31st March 2010	Up to 31st March 2009	For the Year	Less: On sales	Up to 31st March 2010	As at 31st March 2010	As at 31st March 2009
Freehold Land	1,530,310	-	-	1,530,310	-	-	-	-	1,530,310	1,530,310
Buildings	11,849,308	9,728,671	-	21,577,979	2,078,729	360,048	-	2,438,777	19,139,202	9,770,579
Plant & Machinery	70,734,764	23,189,220	2,627,811	91,296,173	30,655,088	6,871,549	2,299,931	35,226,706	56,069,467	40,079,676
Other Equipments	225,575,077	15,556,826	12,029,518	229,102,385	140,659,388	20,582,333	6,979,751	154,261,970	74,840,415	84,915,689
Furniture & Fixtures	17,435,423	2,482,219	1,009,021	18,908,621	3,749,763	1,164,430	254,741	4,659,452	14,249,169	13,685,660
Vehicles	8,009,810	2,668,571	1,883,263	8,795,118	1,474,701	768,090	566,824	1,675,967	7,119,151	6,535,109
Computer Software *	4,778,546	525,839	-	5,304,385	1,771,177	990,541	-	2,761,718	2,542,667	3,007,369
(Intangible Assets)										
Total	**339,913,238**	**54,151,346**	**17,549,613**	**376,514,971**	**180,388,846**	**30,736,991**	**10,101,247**	**201,024,590**	**175,490,381**	**159,524,392**
Previous Year	301,968,448	65,850,048**	27,905,258	339,913,238	157,244,268	30,928,996	12,347,684	180,388,846	159,524,392	-
Capital Work In Progress									20,095,659	19,464,556
Grand Total									**195,586,040**	**178,988,948**

* Acquired

** Includes Acquired on Amalgamation Rs. 7,240,600/-

Schedules to the Balance Sheet

(Amount in Rupees)

As at 31st March,		2010		2009
5 INVENTORIES *				
(At lower of cost or net realisable value)				
Raw Materials & Components		236,618,021		289,628,319
Finished Goods		78,656,155		97,102,601
Trading Goods		155,452,940		193,376,571
Work in Process		4,684,969		6,792,420
Scrap		5,315		4,465
		475,417,400		**586,904,376**

* Includes Materials lying with third parties

6 SUNDRY DEBTORS				
(Unsecured, considered good)				
Debts outstanding for a period exceeding six months		9,132,251		8,913,012
Other Debts		190,030,330		182,288,515
		199,162,581		**191,201,527**
7 CASH & BANK BALANCES				
Cash on hand (As certified)		796,001		1,266,401
Bank Balances;				
With Scheduled Banks in:				
- Current Accounts	331,999		716,882	
- Unpaid Dividend Accounts	954,101		833,207	
- Fixed Deposit Account*	2,230,372	3,516,472	2,935,064	4,485,153
*(Lodged with Bank as Margin Money)				
		4,312,473		**5,751,554**
8 LOANS & ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received or pending adjustments		50,416,608		34,084,339
Advance Payment of Tax	48,271,663		31,733,593	
Less: Provision for Tax	48,271,663	-	31,733,593	-
Export Benefits Receivable		7,477,539		9,193,399
Security Deposits		7,747,663		7,471,427
		65,641,810		**50,749,165**
9 CURRENT LIABILITIES				
Sundry Creditors				
Total outstanding dues of Micro and Small Enterprises (Refer Note No.B-5 of Schedule 18)		14,221,266		65,607,427
Total outstanding dues of creditors other than Micro and Small Enterprises		211,380,859		242,723,223
Investor Education and Protection Fund*		954,101		833,207
- Unclaimed Dividend				
Advances from Customers		7,559,762		2,612,785
* There are no amount due and outstanding as at Balance Sheet date to be credited to the Investor Education and Protection Fund				
		234,115,988		**311,776,642**

Schedules to the Balance Sheet

(Amount in Rupees)

As at 31st March,		2010		2009
10 PROVISIONS				
Provision for Tax	63,329,704		36,529,704	
Less: Advance Payment of Tax	48,271,663	15,058,041	31,733,593	4,796,111
Employees Benefits		2,644,458		1,334,064
Proposed Dividend		23,014,728		19,178,940
Tax on Proposed Dividend		3,911,353		3,259,461
		44,628,580		**28,568,576**

Schedules to the Profit and Loss Account

(Amount in Rupees)

For the year ended 31st March,		2010		2009
11 SALES				
Domestic		1,698,770,164		1,481,467,349
Exports		521,816,176		394,336,490
		2,220,586,340		**1,875,803,839**
12 OTHER OPERATIONAL INCOME				
Export Benefits Received		33,881,491		31,745,859
		33,881,491		**31,745,859**
13 OTHER INCOME				
Interest Received (Gross)*				
Fixed Deposit		228,508		263,508
Others		203,797		14,567
Insurance Claim		124,467		78,163
Profit on Sale of Fixed Assets (Net)		-		12,431,277
Miscellaneous Income		1,494,030		3,510,432
		2,050,802		**16,297,947**

* Includes Tax Deducted at Source Rs. 193,468/- (Previous Year Rs.407,646/-)

For the year ended 31st March,		2010		2009
14 INCREASE / (DECREASE) IN STOCKS				
Closing stock				
Finished Goods	78,656,155		97,102,601	
Trading Goods	155,452,940		193,376,571	
Work in Process	4,684,969	238,794,064	6,792,420	297,271,592
Less: Opening stock				
Finished Goods	97,102,601		89,473,839	
Trading Goods	193,376,571		92,895,509	
Work in Process	6,792,420		9,337,556	
	297,271,592		191,706,904	
Add: Acquired on Amalgamation				
Trading Goods	-	297,271,592	15,340,709	207,047,613
Increase/(Decrease) in Stock		**(58,477,528)**		**90,223,979**

Schedules to the Profit and Loss Account

(Amount in Rupees)

For the year ended 31st March,		2010		2009
15 RAW MATERIALS & COMPONENTS CONSUMED				
Opening Stock of Raw Materials		289,632,784		288,158,151
Add: Acquired on Amalgamation		-		849,078
		289,632,784		289,007,229
Add: Purchases during the year		824,320,223		820,597,833
		1,113,953,007		1,109,605,062
Less: Closing Stock of Raw Materials		236,623,336		289,632,784
		877,329,671		**819,972,278**
16 MANUFACTURING, ADMINISTRATIVE, SELLING & GENERAL EXPENSES				
Stores and Spare Parts Consumed		3,718,116		1,857,543
Power & Fuel		11,690,937		9,638,521
Processing Charges		167,729,039		192,153,528
Rent		11,660,365		11,018,035
Repairs				
Machinery	1,411,889		2,277,093	
Building	45,215		52,792	
Others	2,124,641	3,581,745	2,402,925	4,732,810
Rates & Taxes		660,506		233,570
Other Manufacturing Expenses		1,920,768		995,770
Payments to and Provisions for Employees				
Salaries, Wages, Bonus & Allowances	88,031,637		71,334,729	
Contribution to Provident and Other Funds	5,992,374		5,271,182	
Workmen and Staff Welfare & Training Expenses	2,897,678	96,921,689	2,472,876	79,078,787
Auditors Remuneration		469,327		339,574
Miscellaneous Expenses		24,404,057		22,510,219
Insurance Charges		2,560,669		3,052,566
Directors' Sitting Fees		194,750		181,500
Travelling & Conveyance		24,568,587		24,398,257
Postage,Telegram & Telephone		5,497,951		5,184,957
Freight & Transportation		33,207,660		30,550,869
Advertisement Expenses		72,095,302		70,178,393
Sales Promotion Expenses		24,928,126		13,149,944
Incentives on Sales		33,921,330		27,819,136
Commission on Sales		5,693,771		2,560,529
Discount Allowed		44,502,111		41,012,562
Rebate & Claim		19,073,799		23,635,011
Bad Debts		243,127		1,309,160
Other Selling & Distribution Expenses		22,871,320		21,547,434
Loss on Sale of Fixed Assets		1,855,707		-
Loss on Exchange Fluctuation		45,282		18,634,813
		614,016,041		**605,773,488**
17 INTEREST				
To Bank				
Fixed Loans	1,606,463		3,815,065	
Other than Fixed Loans	13,541,035	15,147,498	22,341,288	26,156,353
To Others		1,827,118		2,434,222
		16,974,616		**28,590,575**

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of accounting:**

   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.

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/Vat, rebate etc.

   c) All other incomes are accounted for on accrual basis.

3. **Expenses:**

   All the expenses are accounted for on accrual basis.

4. **Fixed Assets:**

   a) All fixed assets are stated at cost of acquisition inclusive of duties, taxes, incidental expenses, erection/ commissioning expenses and interest etc. up to date the asset is ready for intended use.

   b) Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment, if any.

   c) Capital Work-in-Progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date.

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

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

   f) Computer Software (Acquired) are amortised over a period of five years. Amortisation is done on straight line basis.

5. **Foreign Currency Transactions:**

   a) Transactions in foreign currency are initially recorded at the exchange rate at which the transaction is carried out.

   b) Monetary assets and liabilities related to foreign currency transactions remaining outstanding at the year end are translated at the year end rate.

   c) Any income or expense on account of exchange difference either on settlement or on translation at the year end is recognized in the Profit & Loss Account.

6. **Investments:**

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

7. **Inventories:**

   a) Inventories (Other than Scrap) are valued at lower of cost and net realisable value, after providing for obsolescence, if any. Cost of inventory comprises of purchase price, cost of conversion and other cost incurred in bringing the Inventories to their respective present location and condition. The cost of Inventories of is computed on weighted average except for Raw Material and Components which is computed on FIFO basis.

   b) Scrap are valued at Net Realisable Value.

8. **Employee Benefits:**

   a) Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

b) Post employment and other long-term employee benefits are recognized as an expense in the Profit & Loss Account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuations. Actuarial gains and losses in respect of post employment and other long-term employee benefits are recognized in the profit and loss account

9. Taxes on Income:

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

10. Borrowing Cost:

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

11. Impairment of Assets

Impairment losses, if any, are recognized in accordance with the Accounting Standard – 28 on Impairment of Assets as specified in the Companies (Accounting Standard) Rules, 2006.

12. Provisions, Contingent liabilities and Contingent Assets:

Provisions are recognized in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable.

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.

Re-imbursement expected in respect of expenditure to settle a provision is recognised only when it is virtually certain that the re-imbursement will be received.

Contingent Assets are not recognized in the Accounts.

B) NOTES ON ACCOUNT

(Amount in Rupees)

			As at 31st March,	2010	2009
1.	a)		Estimated amount of contracts remaining to be executed for Capital Expenditure and not provided for	15,380,132	3,778,777
	b)		Advance paid against above	11,045,579	4,425,447
2	i)		Contingent Liabilities Not Provided For :		
		a)	Bank Guarantees issued in favour of the President of India and others*	6,023,850	20,368,043
			*Fixed Deposit lodged as Margin Money against the above	1,585,372	2,530,064
		b)	Income Tax demands under appeal	21,880,079	Nil
		c)	Bills Discounted from Bank	2,122,099	98,506

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

3 **Managerial Remuneration**

Computation of Net Profit for the purpose of calculating Directors' remuneration:

(Amount in Rupees)

For the year 31st March,	2010	2009
Profit Before Tax (as per profit & loss account)	115,486,910	68,420,095
Add: Directors' Sitting Fees	194,750	181,500
Directors' Remuneration	10,808,130	8,401,777
Bad Debt Written Off	–	1,309,160
Loss on Sale of Fixed Assets	1,855,707	–
Depreciation as per Books of Account	30,736,991	
	159,082,488	78,312,532
Less: Profit on sale of fixed assets	–	12,431,277
Depreciation as per Section 350 of the Companies Act	30,736,991	–
Net Profit for the purpose of Directors' remuneration	**128,345,497**	**65,881,255**
(As per Section 349 of the Companies Act, 1956)		
Maximum remuneration permissible to Managing and whole time Directors under the Act @10%	**12,834,550**	**6,588,126**
Restricted to	2,000,000	–
Commission Payable to Non Executive Directors @ 1% of Net Profit	1,283,455	658,813
Restricted to	1,000,000	650,000
Remuneration paid to Managing, Whole Time and Non Executive Directors:		
Salary	6,980,130	6,923,777
Commission to Non Executive Directors	1,000,000	650,000
Contribution to Provident & Other Funds.	828,000	828,000
Commission to Managing Director/Whole Time Directors	2,000,000	–
Total	**10,808,130**	**8,401,777**

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

The above figure do not include Gratuity, since the same is provided on acturial basis for the company as a whole.

(Amount in Rupees)

	For the year 31st March,	2010	2009
4	**a) Statutory Auditors' Remuneration**		
	Audit Fees	286,780	165,450
	Tax Audit Fees	55,150	55,150
	Other Matters	114,161	105,738
		456,091	**326,338**
	b) Branch Auditors' Remuneration		
	Audit Fees	11,030	11,030
	Tax Audit Fees	2,206	2,206
		13,236	**13,236**
	Total (a+b)	**469,327**	**339,574**

5 The amount due to Micro and Small Enterprises as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the Company.

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

The disclosures relating to Micro and Small Enterprises are as under:

(Amount in Rupees)

Sl. No.	Description	2009-10	2008-09
I)	The principal amount remaining overdue for payment to suppliers as at the end of accounting year *	14,221,266	65,507,427
ii)	The interest due thereon remaining unpaid to suppliers as at the end of accounting year	Nil	Nil
iii)	The amount of interest paid in terms of Section 16, along with the amount of payment made to the suppliers beyond the appointed day during the year	Nil	Nil
iv)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil	Nil
v)	The amount of interest accrued during the year and remaining unpaid at the end of the accounting year *	Nil	Nil
vi)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Micro and Small Enterprises	Nil	Nil

* Included in the line item "Total outstanding dues of Micro and Small Enterprises" under Schedule – 9.

6 **Segment Reporting**

The business of the company falls under a single segment i.e, "Writing Instruments and Stationeries" therefore the disclosure requirements as per Accounting Standard 17 "Segment Reporting" are not applicable to the Company.

7 **Earnings Per Share:**

The numerator and denominator used to calculate Basic/ Diluted Earnings Per Share

		2009-10	2008-09
a)	Amount used as the numerator (Rs.)		
	Profit after Tax	83,951,254	50,382,009
b)	Basic / Diluted weighted average number of Equity Shares used as the denominator	12,785,960	12,785,960
c)	Nominal value of Equity Shares (Rs.)	10	10
d)	Basic / Diluted Earnings Per Share (a/b) (Rs.)	6.57	3.94

8 **Related Party transactions:**

Related party disclosure as per Accounting Standard 18 for the year ended 31st March 2010 are given below:

I) Names and description of relationship of related parties as on 31st March 2010:

Related Party	Relationship
Associates :	
Linc Retail Ltd	Associates
Key Managerial Personnel (KMP) :	
Deepak Jalan	Managing Director
Prakash Jalan	Whole Time Director
Aloke Jalan	Whole Time Director

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

I) Names and description of relationship of related parties as on 31st March 2010: *(Contd...)*

Related Party	Relationship
Enterprises in which KMP and their relatives have substantial interest :	
S.M. Pen & Plastics Industries	Proprietorship Concerns owned by
Radhika Writing Instruments	Sri S.M. Jalan father of M.D. and W.T.D.
Linc Marketing Services (Goa)	Proprietorship Concerns owned by
Linc Engineering	Smt. Bindu Jalan wife of W.T.D.
S.M. Homes	
Linc Writing Aids Pvt. Ltd	Substantial interest of the relatives of M.D. and W.T.D.
Relatives of KMP :	
Mr. Deepak Jalan	Deepak Jalan (HUF) Mr. Deepak Jalan is Karta of HUF
	Mr. S.M. Jalan (Father)
	Mrs. Bimla Devi Jalan (Mother)
	Ms. Divya Jalan (Daughter)
Mr. Prakash Jalan	Mr. S.M. Jalan (Father)
	Mrs. Bimla Devi Jalan (Mother)
Mr. Aloke Jalan	Aloke Jalan (HUF) Mr. Aloke Jalan is Karta of HUF
	Mrs. Shobha Jalan (Wife)
	Mr. S.M. Jalan (Father)
	Mrs. Bimla Devi Jalan (Mother)

II) Details of transactions with related parties.

(Amount in Rupees)

Description	Associates (A)	Key Managerial Personnel (KMP)	Enterprises in which KMP and their relatives have substantial interest	Relatives of KMP (R)	Total
Purchase of Goods					
Linc Writing Aids Pvt. Ltd	-	–	572,725	–	572,725
	(-)	(-)	(32,250)	(-)	(32,250)
Radhika Writing Instruments	-	–	–	–	–
	(-)	(-)	(2,593,133)	(-)	(2,593,133)
Linc Retail Ltd	4,633,543	–	–	–	4,633,543
	(1,786,703)	(-)	(-)	(-)	(1,786,703)
Sale of Goods					
Linc Retail Ltd	1,983,396	–	–	–	1,983,396
	(7,105,139)	(-)	(-)	(-)	(7,105,139)
Linc Writing Aids Pvt. Ltd	-	–	219,225,910	–	219,225,910
	(-)	(-)	(193,912,664)	(-)	(193,912,664)
Radhika Writing Instruments	-	–	–	–	–
	(-)	(-)	(19,292)	(-)	(19,292)
S.M. Homes	–	–	–	–	–
	(-)	(-)	(26,739)	(-)	(26,739)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

II) Details of transactions with related parties. *(Contd...)*

(Amount in Rupees)

Description	Associates (A)	Key Managerial Personnel (KMP)	Enterprises in which KMP and their relatives have substantial interest	Relatives of KMP (R)	Total
Purchase of Fixed Assets					
Radhika Writing Instruments	-	–	–	–	–
	(-)	(-)	(474,240)	(-)	(474,240)
S.M. Homes	-	–	–	–	–
	(-)	(-)	(128,925)	(-)	(128,925)
Linc Engineering	-	–	–	–	–
	(-)	(-)	(312,000)	(-)	(312,000)
Suraj Mal Jalan	-	–	–	300,000	300,000
	(-)	(-)	(-)	(-)	(-)
Sale of Fixed Assets					
Linc Engineering	-	–	–	–	–
	(-)	(-)	(104,000)	(-)	(104,000)
S.M. Homes	-	–	115,440	–	115,440
	(-)	(-)	(150,000)	(-)	(150,000)
Bimla Devi Jalan	-	–	–	459,160	459,160
	(-)	(-)	(-)	(-)	(-)
Linc Property Developers Ltd	-	–	567,840	–	567,840
	(-)	(-)	(-)	(-)	(-)
Receiving of Services					
Mr. Deepak Jalan	-	3,000,000	–	–	3,000,000
	(-)	(3,000,000)	(-)	(-)	(3,000,000)
Mr. Prakash Jalan	-	1,536,000	–	–	1,536,000
	(-)	(1,536,000)	(-)	(-)	(1,536,000)
Mr. Aloke Jalan	-	2,400,000	–	–	2,400,000
	(-)	(2,400,000)	(-)	(-)	(2,400,000)
Linc Writing Aids Pvt. Ltd	-	–	1,446,000	–	1,446,000
	(-)	(-)	(1,446,000)	(-)	(1,446,000)
Radhika Writing Instruments	-	–	–	–	–
	(-)	(-)	(125,000)	(-)	(125,000)
Mr. S. M. Jalan	-	–	–	265,600	265,600
	(-)	(-)	(-)	(100,000)	(100,000)
Ms. Divya jalan	-	–	–	223,000	223,000
	(-)	(-)	(-)	(176,542)	(176,542)
M/s. Deepak Jalan (HUF)	-	–	–	360,000	360,000
	(-)	(-)	(-)	(360,000)	(360,000)
Mrs. Bimla Devi Jalan	-	–	–	90,000	90,000
	(-)	(-)	(-)	(72,000)	(72,000)
Mrs. Shobha Jalan	-	–	–	960,000	960,000
	(-)	(-)	(-)	(960,000)	(960,000)
M/s. Aloke Jalan (HUF)	-	–	–	900,000	900,000
	(-)	(-)	(-)	(792,000)	(792,000)

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

II) **Details of transactions with related parties.** *(Contd...)*

(Amount in Rupees)

Description	Associates (A)	Key Managerial Personnel (KMP)	Enterprises in which KMP and their relatives have substantial interest	Relatives of KMP (R)	Total
Rendering of Services					
Linc Retail Ltd	930,639	–	–	–	930,639
	(1,369,567)	(-)	(-)	(-)	(1,369,567)
Dividend Paid to Shareholders					
Mr. Deepak Jalan	-	1,105,417	–	–	1,105,417
	(-)	(883,957)	(-)	(-)	(883,957)
Mr. Prakash Jalan	-	254,250	–	–	254,250
	(-)	(300,000)	(-)	(-)	(300,000)
Mr. Aloke Jalan	-	1,180,824	–	–	1,180,824
	(-)	(379,029)	(-)	(-)	(379,029)
Guarantees (Given for the Loans obtained by the Company)					
Mr. Deepak Jalan	-	206,480,589	–	–	206,480,589
	(-)	(272,161,299)	(-)	(-)	(272,161,299)
Balance Outstanding					
a) Accounts Receivable					
Linc Retail Ltd	4,016,942	–	–	–	4,016,942
	(5,834,506)	(-)	(-)	(-)	(5,834,506)
Linc Writing Aids Pvt. Ltd	-	–	25,448,398	–	25,448,398
	(-)	(-)	(18,950,380)	(-)	(18,950,380)
b) Amount outstanding against Guarantees given for Loans obtained by the Company					
Mr. Deepak Jalan	-	206,480,589	–	–	206,480,589
	(-)	(272,161,299)	(-)	(-)	(272,161,299)

III) No amount has been written back / written off during the year in respect of due to / from related parties.

IV) The amount due from related parties are good and hence no provision for doubtful debts in respect of dues from such related parties is required.

V) The transactions with related parties have been entered at an amount which are not materially different from that on normal commercial terms.

VI) Figure in brackets pertain to previous year.

9 Capital Work In Progress includes Capital Advance of Rs 11,045,579/- (Rs.4,425,447/-).

10 **Employee Benefits :**

As per Accounting Standard - 15, the disclosure of Employee Benefits as defined in the Accounting Standard are as follows:

a) **Defined Contribution Plan :**

Employee benefits in the form of Provident Fund and Employee State Insurance Scheme are

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

considered as defined contribution plan and the contributions are made in accordance with the relevant statute and are recognized as an expense when employees have rendered service entitling them to the contributions. The contribution to defined contribution plan, recognized as expense for the year are as under:

(Amount in Rupees)

Defined Contribution Plan	2009-10	2008-09
Employers' Contribution to Provident Fund	4,058,876	3,731,064
Employers' Contribution to Employee State Insurance Scheme	1,276,498	1,193,118
Total	**5,335,374**	**4,924,182**

b) Post employment and other long-term employee benefits in the form of gratuity is considered as defined benefit obligation. The present value of obligation is determined based on actuarial valuation using projected unit credit method as at the Balance Sheet date. The amount of defined benefits recognized in the Balance Sheet represent the present value of the obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The amount recognized in the profit and loss account for the year ended 31st March, 2010 in respect of Employees Benefit Schemes based on actuarial reports as on 31st March, 2010 is as follows:

(Amoount Rs. in lacs)

Gratuity (Funded)	2009-10	2008-09
I. Components of Employer Expense:		
1. Current Service Cost	5.75	4.97
2. Past Service Cost	--	--
3. Interest Cost	2.39	2.01
4. Expected Return on Plan Asset	(4.47)	(3.80)
5. Actuarial gain/loss recognized in the year	2.90	0.29
6. Net Expense/(Income) Recognized in Statement of Profit & Loss Account	6.57	3.47
II. Change in Present Value of Defined Benefit Obligation:		
1. Present Value of Defined Benefit Obligation at the Beginning of the year	29.37	23.71
2. Interest Cost	2.39	2.01
3. Current Service Cost	5.75	4.97
4. Actuarial Gain/(Losses)	1.81	(0.04)
5. Benefit Payments	(1.88)	(1.28)
6. Present Value of Obligation at the End of the year	37.44	29.37
III. Change in Fair Value of Plan Assets during the year ended 31st March, 2010:		
1. Plan Assets at the Beginning of the year	47.63	38.81
2. Expected Return on Plan Assets	4.47	3.80
3. Actual Company Contribution	4.28	6.63
4. Actuarial Gain/(Losses)	(1.09)	(0.33)
5. Benefit Payments	(1.88)	(1.28)
6. Plan Assets at the End of the year	53.41	47.63
IV. Net Asset/(Liability) recognized in the Balance Sheet as at 31st March, 2010:		
1. Present value of Defined Benefit Obligation	37.44	29.37
2. Fair Value on Plan Assets	53.41	47.63
3. Funded Status (Surplus/(deficit))	15.97	18.26
4. Net Asset/(Liability) recognized in Balance Sheet	15.97	18.26

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

(Amoount Rs. in lacs)

Gratuity (Funded)	2009-10	2008-09
V Actuarial Assumptions		
1 Discount Rate (per annum)	8.40 %	8.40 %
2. Expected Rerurn on Plan Assets (per annum)	9.15 %	9.15 %
3. Salary Increases	5.00 %	5.00 %
4. Retirement/Superannuation Age	58	58
5. Mortality	LIC (1994 - 96)	LIC (1994 - 96)

VI. Basis used to determine the Expected Rate of Return on Plan Assets:

The basis used to determine overall expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

VII. Basis of estimates of rate of escalation in salary

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by LIC.

VIII. Disclosure related to previous years:

	2007-08
1. Present value of Defined Benefit Obligation	23.71
2. Fair Value on Plan Assets	38.81
3. Funded Status [Surplus/(deficit)]	15.10

IX. Other Disclosures

1. The Gratuity and Provident Fund Expenses have been recognized under "Contribution to Provident and Other Funds" and Leave Encashment under "Salaries, Wages, Bonus & Allowances" under Schedule - 16.
2. The amount of the Present value of Obligation, fair value of Plan Assets, Surplus/Deficit in the plan and experience adjustment arising on Plan Liabilities and Plan Assets for the previous three annual periods are not available and therefore, not disclosed.
3. The amount of Expected Employer's contribution for next year is not available and therefore, not disclosed.

11. The Break up of Deferred Tax Liability as follow:

Deferred Tax Liability

(Amount in Rupees)

As on 31st March,	2010	2009
Deferred Tax Liability		
Tax effect of timing differences on account of:		
Difference between book and tax depreciation	15,848,699	12,560,613
Deferred Tax Asset		
Less: Expenses allowable for tax purpose on payment basis	(600,487)	(3,288,086)
Deferred Tax Liability (Net)	**16,449,186**	**15,848,699**

12. Disclosure pursuant to AS-29 on Provisions, Contingent Liabilities and Contingent Assets :

i) No provisions for Liabilities was made during the year and no provision was outstanding at the beginning and at the end of the year.

ii) The Contingent Liabilities referred to in B-2 above depends upon non discharge of export obligation/ outcome of appeal invocation of bank guarantee etc.

iii) No reimbursement is expected in respect of contingent liabilities shown in B-2 above.

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

13. **Details of aggregate amount of loans outstanding which are guaranteed by the Managing Director / Whole time Director.**

(Amount in Rupees)

Particulars	2009-10	2008-09
Loans from Banks [Including Non-Fund based limits Rs. 6,023,850 (Previous year Rs 20,368,043)]	212,504,439	292,529,342

Note : No Guarantee Commission is payable to the Guarantors.

14. **Intangible Assets**

The unamortised amount of Computer Software (Acquired) Rs 2,542,667 is to be amortised equally in the coming years as given hereunder:

Particulars	Amount (Rs.)	Years
Computer Software	491,007	Four
Computer Software	2,051,660	Three

15. **Disclosure under clause 32 of the Listing Agreement:**

There are no transactions which are required to be disclosed under Clause 32 of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed.

16. **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 & Plastics Components	Pcs.	*	4188.840 (4041.860)
Refills	Pcs.	*	4380.388 (4035.054)

* 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 Quantity	Opening Stock Amount	Closing Stock Quantity	Closing Stock Amount	Sales Quantity	Sales Amount
I)	Pens	Pcs.	39,578,848 (36,659,376)	78,898,344 (66,612,134)	35,614,075 (39,578,848)	63,825,368 (78,898,344)	422,843,019 (401,223,905)	1,182,034,271 (1,094,386,334)
II)	Refills	Pcs.	20,117,623 (32,013,681)	13,670,425 (20,908,527)	21,730,753 (20,117,623)	13,999,770 (13,670,425)	159,736,966 (153,643,407)	176,769,366 (189,771,059)
III)	Others	---		4,533,832 (1,953,178)		831,017 (4,533,832)		28,689,089 (45,791,416)
Total				**97,102,601**		**78,656,155**		**1,387,492,726**
Total (Previous Year)				**(89,473,839)**		**(97,102,601)**		**(1,329,948,809)**

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

c) Opening and Closing Stock of Goods Traded in

(Amount in Rupees)

Sl. No.	Description	Unit	Opening Stock Quantity	Opening Stock Amount	Acquired on Amalgamation Quantity	Acquired on Amalgamation Amount	Purchase Quantity	Purchase Amount	Sales Quantity	Sales Amount	Closing Stock Quantity	Closing Stock Amount
I)	Pens	Pcs.	18,938,825	160,330,906	-	-	120,155,719	329,001,413	127,924,046	500,284,544	11,170,498	110,065,093
			(10,233,086)	(74,872,815)	(501,299)	(4,800,676)	(86,847,811)	(293,151,890)	(78,643,371)	(318,254,076)	(18,938,825)	(160,330,906)
II)	Refills	Pcs.	2,692,424	9,172,967	-	-	31,710,386	22,983,216	29,104,523	75,772,766	5,298,287	10,430,633
			(2,336,201)	(5,286,080)	(530,874)	(1,301,016)	(14,088,630)	(16,599,156)	(14,263,281)	(39,119,859)	(2,692,424)	(9,172,967)
III)	Pencils	Pcs.	5,248,991	8,782,343	-	-	79,515,002	117,980,612	74,814,492	123,059,080	9,949,501	14,881,260
			(2,153,461)	(3,886,239)	(174,554)	(348,764)	(60,881,281)	(84,868,699)	(57,960,305)	(93,544,577)	(5,248,991)	(8,782,343)
IV)	Others	---		15,090,355		-		73,531,635		133,977,224		20,075,954
				(8,850,375)		(8,890,253)		(65,766,447)		(94,936,518)		(15,090,355)
Total				**193,376,571**		**-**		**543,496,876**		**833,093,614**		**155,452,940**
Total (Previous Year)				**(92,895,509)**		**(15,340,709)**		**(460,386,192)**		**(545,855,030)**		**(193,376,571)**

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

d) Raw Materials Consumed

Sl. No.	Items	Unit	Quantity	Amount (Rs.)
I)	Plastic Powder	Kgs.	2,965,467	227,461,738
			(4,262,191)	(263,901,585)
II)	Ink	Kgs.	198,370	78,182,495
			(202,114)	(75,951,869)
III)	Tips	Pcs.	532,270,025	167,948,828
			(534,772,129)	(175,236,684)
IV)	Components for Pen / Ball Pen/ Pencils	Pcs.	973,063,509	250,148,276
			(644,988,299)	(157,692,835)
V)	Others	---		153,588,334
				(147,189,305)
Total				877,329,671
Total (Previous Year)				(819,972,278)

e) Value of Raw Materials Consumed

Particulars	Amount (Rs.)	Percentage
Imported	136,337,031	15.54%
	(104,874,454)	(12.79%)
Indigeneous	740,992,640	84.46%
	(715,097,824)	(87.21%)
Total	877,329,671	100.00%
Total (Previous Year)	(819,972,278)	(100.00%)

f) Value of Stores & Spares Consumed

Particulars	Amount (Rs.)	Percentage
Imported	368,342	9.91%
	(359,738)	(19.37%)
Indigeneous	3,349,774	90.09%
	(1,497,805)	(80.63%)
Total	3,718,116	100%
Total (Previous Year)	(1,857,543)	(100%)

g) CIF Value of Imports (Amount in Rupees)

Particulars	2009-10	2008-09
Raw Materials,Components	107,287,325	85,703,562
Trading Goods	135,613,256	212,025,521
Capital Goods	16,997,627	8,288,725
Spares	356,306	258,770

h) Expenditure in Foreign Currency (Amount in Rupees)

Particulars	2009-10	2008-09
I) Bank Interest & Commission	885,197	1,119,049
II) Travelling	1,290,834	1,608,747
III) Exhibition Expenses	2,406,041	1,964,122
IV) Commission on Exports	1,461,721	–
V) Product Designing, Testing Charges & Others	1,396,979	444,326

i) Earnings in Foreign Exchange (Amount in Rupees)

Particulars	2009-10	2008-09
Exports on FOB Basis	517,602,468	389,082,871

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

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

Schedules to the Account

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd...)*

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

1. Registration Details

Registration No. 065583 State Code 21

Balance Sheet Date 31 03 2010

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*: 661376	Total Assets: 661376

Sources of funds

Paid-up Capital: 127860	Reserves and Surplus: 288664
Secured Loans: 206481	Unsecured Loans: 21922
Other Liabilities: 16449	

Application of funds

Net Fixed Assets: 195586	Investments: NIL
Net Current Assets: 465790	Miscellaneous Expenditure: NIL

** (Excluding current liabilites & provisions of Rs.278745 thousands)*

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

Turnover & Other Income: 2256519	Total Expenditure: 2141032
+ – Profit/Loss Before Tax: + 115487	+ – Profit/Loss After Tax: + 83951
Earnings Per Share in Rs.: 6.57	Dividend rate (%): 18

5. Generic Name of Three Principal Products of the Company (in monetary terms)

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

Signatories to Schedules 1 to 18 forming part of the Accounts.

For G. P. Agrawal & Co.
Chartered Accountants
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May, 2010

For and on behalf of the Board

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

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

Cash Flow Statement

(Amount in Rupees)

For the year ended 31st March,		2010		2009
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax		115,486,910		68,420,095
Adjustments for				
Depreciation	30,736,991		30,928,996	
(Profit) / Loss On sale/ Discard Of Fixed Assets	1,855,707		(12,431,277)	
Interest Income	(432,305)		(278,075)	
Unrealised loss/(gain) on foreign exchange fluctuation (Net)	3,354,118		422,208	
Interest expense	16,974,616	52,489,127	28,590,575	47,232,427
Operating profit before working capital changes		167,976,037		115,652,522
(Increase) / Decrease in Trade and other receivables	(9,045,409)		63,812,976	
(Increase) / Decrease in Inventories	111,486,976		(90,849,534)	
(Increase) / Decrease in Loans & Advances	(14,820,748)		(12,688,599)	
Increase / (Decrease) in Trade Payables	(78,740,917)	8,879,902	38,947,965	(777,192)
Cash generated from operations		176,855,939		114,875,330
Less: Direct taxes paid		20,673,239		10,509,728
Net Cash Generated/Used~Operating Activities		**156,182,700**		**104,365,602**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Addition to Fixed Assets (Including Intangibles)	(54,782,449)		(34,208,274)	
Fixed Deposit with Banks	704,692		485,993	
Sale of fixed assets	5,592,659		27,988,851	
Interest Received	360,408	(48,124,690)	1,456,198	(4,277,232)
Net Cash Generated/Used~Investing Activities		**(48,124,690)**		**(4,277,232)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long term borrowings	(5,747,166)		(5,142,346)	
Proceeds from/Repayment of Other Borrowings (Net)	(64,511,655)		(53,287,268)	
Interest Paid	(16,216,071)		(27,557,444)	
Unclaimed Dividend	120,894		96,945	
Dividend Paid	(19,178,940)		(12,000,450)	
Dividend Tax Paid	(3,259,461)	(108,792,399)	(2,039,476)	(99,930,039)
Net Cash Generated/Used~Financing Activities		**(108,792,399)**		**(99,930,039)**
Net increase in Cash and Cash Equivalents (A+B+C)		**(734,389)**		**158,331**
Opening Cash and Cash Equivalents		2,816,490		2,226,966
		2,082,101		**2,385,297**
Closing Cash and Cash Equivalents		**2,082,101**		**2,385,297**

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 as specified in Companies (Accounting Standard) Rules 2006.

2) The Amalgamation of Shree Writing Aid Private Limited with the Company was a non-cash transaction during the previous year and hence was not considered in the Cash Flow Statement of previous year above.

3) Figures in bracket represent cash outflow.

Cash Flow Statement (Contd...)

4) Additions to Fixed Assets include movement of Capital Work-in-Progress during the year.

5) Repayment / Proceeds from Other Borrowings have been shown on net basis.

6) Cash & Cash Equivalents include Balances in Unpaid Dividend Accounts Rs. 954,101/- (Previous year Rs. 833,207/-) not available for use by the Company.

7) Cash and cash equivalent at the end of the year consist of :

(Amount in Rupees)

For the year ended 31st March,	2010	2009
a) Cash in hand	796,001	1,078,903
b) Balances with Scheduled Banks in Current Accounts	331,999	473,187
c) Balances in Unpaid Dividend Accounts	954,101	833,207
	2,082,101	2,385,297
Add: Acquired on Amalgamation		
a) Cash in hand	-	187,498
b) Balances with Scheduled Banks in Current Accounts	-	243,695
	-	431,193
Add: Fixed Deposits Shown under Investment Activities	2,230,372	2,935,064
Cash and Bank Balance as reported in Balance Sheet	4,312,473	5,751,554

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

For G. P. Agrawal & Co.
Chartered Accountants
Firm Registration No. 302082E

(CA. Ajay Agrawal)
Membership No. 17643
Partner

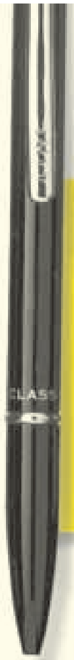
For and on behalf of the Board

Deepak Jalan
Managing Director

Aloke Jalan
Whole Time Director

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

7A, Kiran Shankar Ray Road
Kolkata - 700 001
The 29th day of May, 2010



5 YEAR FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Year	2009-10	2008-09	2007-08	2006-07	2005-06
Source of Funds					
Share Capital	1,278.60	1,278.60	800.03	800.03	800.03
Reserves & Surplus	2,886.64	2,316.39	2,453.90	2,081.63	1,863.22
Networth	**4,165.24**	**3,594.99**	**3,253.93**	**2,881.66**	**2,663.25**
Borrowings	2,284.02	2,979.02	3,402.91	2,967.06	2,676.50
Funds Employed	6,449.26	6,574.01	6,656.84	5,848.72	5,339.75
Operating Results					
Domestic Sales	16,987.70	14,814.67	13,539.06	11,719.94	11,374.98
Exports	5,218.16	3,943.37	3,861.44	2,663.78	2,042.34
Total Sales	**22,205.86**	**18,758.04**	**17,400.50**	**14,383.72**	**13,417.32**
PBIDT	**1,631.99**	**1,279.40**	**1,180.31**	**900.65**	**826.74**
Interest	169.75	285.91	291.82	215.64	179.90
Depreciation	307.37	309.29	288.64	281.15	275.49
Profit before tax	1,154.87	684.20	599.85	403.86	371.35
Profit after tax	**839.51**	**503.82**	**503.40**	**330.72**	**322.38**
EPS	6.57	3.94	6.29	4.13	4.03
Cash EPS	8.97	6.36	9.90	7.65	7.47
Dividend %	**18**	**15**	**15**	**12**	**12**

PERFORMANCE IN US$

(In million - US$)

Year	2009-10	2008-09
Source of Funds		
Share Capital	2.83	2.51
Reserves & Surplus	6.40	4.54
Networth	**9.23**	**7.05**
Borrowings	5.06	5.84
Funds Employed	**14.29**	**12.89**
Operating Results		
Domestic Sales	37.64	29.05
Exports	11.56	7.73
Total Sales	**49.20**	**36.79**
PBIDT	**3.62**	**2.51**
Interest	0.38	0.56
Depreciation	0.68	0.61
Profit before tax	2.56	1.34
Profit after tax	**1.86**	**0.99**
Conversion Rate (INR per US$)	45.13	50.99

CORPORATE INFORMATION

Board of Directors

Shri Prahlad Rai Agarwala	Independent, Non-executive
Dr. Ranjan Das	Independent, Non-executive
Shri Sohan Lal Kochar	Independent, Non-executive
Shri Naresh Pachisia	Independent, Non-executive
Shri Kedar Nath Ranasaria	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, 30412100
Fax: (033) 2479 0253
e-mail: investors@lincpen.com
website: www.lincpen.com

Works

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

Falta SEZ, Sector-II, Shed No.2
Falta, 24 Pgns(S), Pin - 743 504
West Bengal
Phone: (03174) 222 925

Auditors

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

Branch Offices

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Industrial Area, New Delhi - 110 033
e-mail: lincdelhi@lincpen.com

RANCHI - Rahul Complex
North Market Road, Upper Bazar
Ranchi - 834 001, Jharkand

NOIDA - B-27, Sector - 1, G.B.Nagar
Noida - 201 301, U.P.

SARIGAM - Plot No. 4712, Plastic
Zone, G.I.D.C, Sarigam - 396 155,
Gujarat

Bankers

State Bank of India
IDBI Bank Ltd

LINC

Zindagi Ke Liye

RAJASTHAN ROYALS

Linc was the first and only writing instrument brand to be associated with an IPL team. It tied up with Rajasthan Royals for IPL - 3

Deepak Jalan, MD - Linc Pen, Welcoming Shane Warne, Captain - RR

Deepak Jalan presenting Linc pens to the Rajasthan Royals team

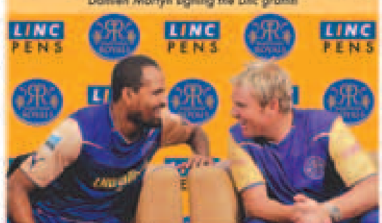
Flower bouquet being presented to Shane Warne

Rajasthan Royals team

Yusuf Pathan signing the Linc graffiti

Shane Warne signing the Linc graffiti

Damien Martyn signing the Linc graffiti



Yusuf Pathan & Shane Warne in cheerful mood at Linc Pen's customer meet

Rajasthan Royals team with Linc Pen's distributors

Shane Warne, Captain - Rajasthan Royals