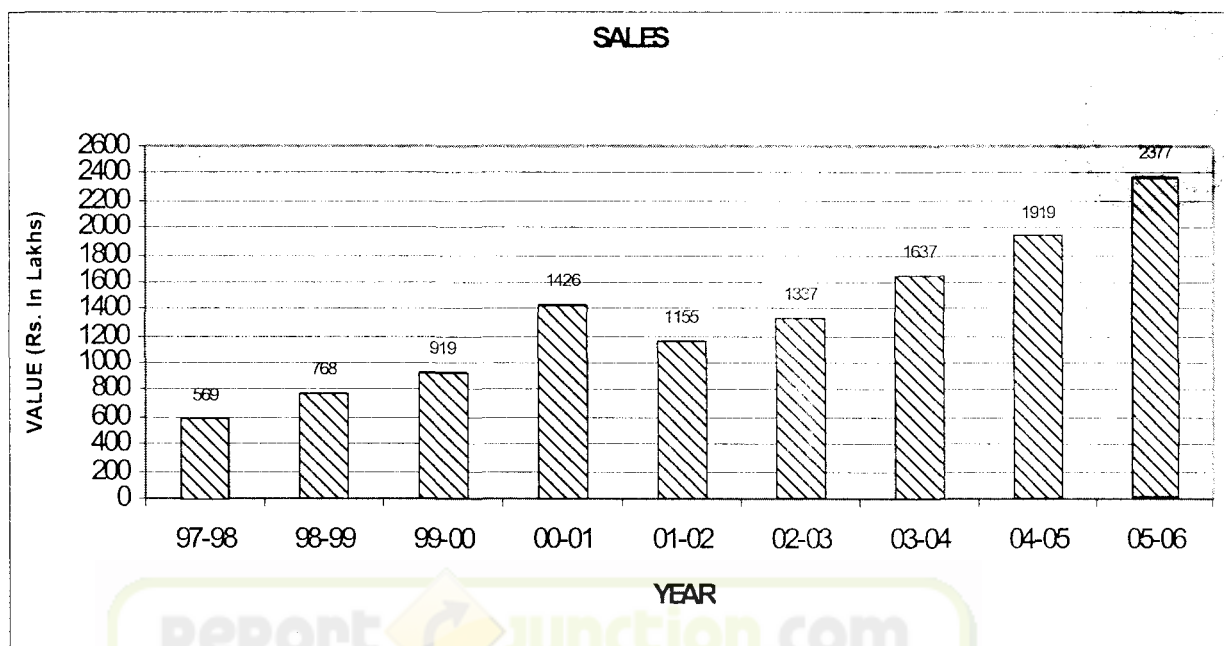


SIXTEENTH ANNUAL REPORT 2005 - 2006
www.finelineindia.com

COMPANY ASPIRATION

Our Aspiration for Fine-Line is to be Respected Growing, Performance Driven, High Quality Manufacturer, Exporter "Pleasing Customers 100 %" in the High Count Multilayer Rigid and Flex Printed Circuit Board Market with a growing Earnings Per Share.



AT A GLANCE (Rs. In Lakhs)

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------|------|------|------|------|------|------|------|------|------|
| SALES & EARNINGS | | | | | | | | | |
| Sales | 569 | 768 | 919 | 1426 | 1155 | 1338 | 1637 | 1919 | 2377 |
| Profit after taxes | 15 | 22 | 44 | 56 | 3 | 41 | 57 | 51 | 4 |
| ASSETS & LIABILITIES | | | | | | | | | |
| Gross Fixed Assets | 957 | 936 | 1013 | 1072 | 1215 | 893 | 1213 | 1132 | 1188 |
| Net Fixed Assets | 700 | 635 | 660 | 462 | 430 | 425 | 474 | 384 | 240 |
| Net Current Assets | 107 | 149 | 137 | 341 | 349 | 385 | 355 | 495 | 643 |
| Total (Applications) | 807 | 784 | 797 | 803 | 779 | 810 | 829 | 879 | 883 |
| REPRESENTED BY | | | | | | | | | |
| Net Worth | 645 | 667 | 711 | 801 | 779 | 810 | 829 | 879 | 883 |
| Share Capital | 541 | 541 | 541 | 541 | 541 | 541 | 484 | 483 | 483 |
| Reserves | 104 | 126 | 170 | 260 | 238 | 269 | 346 | 396 | 400 |
| Borrowings | 162 | 117 | 86 | 2 | 0 | 0 | 0 | 0 | 0 |
| Total (Sources) | 807 | 784 | 797 | 803 | 779 | 810 | 829 | 879 | 883 |
| RATIOS | | | | | | | | | |
| Acid Test Ratio | 0.37 | 0.59 | 0.56 | 2.00 | 2.76 | 4.94 | 2.15 | 1.11 | 1.77 |
| Total Liability to Net Worth | 0.32 | 0.24 | 0.25 | 0.14 | 0.12 | 0.07 | 0.16 | 0.30 | 0.28 |
| Sales to Net Fixed Assets | 0.81 | 1.21 | 1.39 | 3.08 | 2.69 | 3.15 | 3.45 | 5.00 | 9.90 |
| Earning Per Share (Rs.) | 0.28 | 0.41 | 0.82 | 1.03 | 0.06 | 0.77 | 1.13 | 1.05 | 0.08 |
| Return on Investment | 3% | 4% | 8% | 9% | 1% | 7% | 11% | 9% | 1% |

CORPORATE INFORMATION

16th ANNUAL GENERAL MEETING (AGM)

Date : 31st July 2006
 Day : Monday
 Time : 4.30 p.m.
 Place : Gr. Floor, Backside SDF-VI,
 SEEPZ - (SEZ), Andheri (East),
 Mumbai 400 096.

SEEPZ-(SEZ) being Restricted Zone requires Special Prior Permission for entry, please see instructions on attendance slip for attending the AGM

REGISTERED OFFICE

145, SDF - V, Seepz (SEZ),
 Andheri (East),
 Mumbai - 400 096.
 Tel. # 28290244 Fax # 28292554

AUDITORS

D K P & Associates
 Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Monkar Computers Pvt. Ltd.
 21, Shakil Niwas, Opp. Satyasaibaba Temple,
 Mahakali Caves Road, Andheri (East),
 Mumbai - 400 093.
 Tel : 2 825 7641 / 2 836 6620

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BOARD OF DIRECTORS**EXECUTIVE DIRECTORS**

| | |
|---------------------|--------------------|
| Bhagwandas T. Doshi | Executive Chairman |
| G. Sudarsanam | Vice - Chairman |
| Abhay B. Doshi | Managing Director |

NON - EXECUTIVE DIRECTORS

Rajendra J. Shah (Upto 25th April 2006)
 Rajendra V. Gandhi
 U. Nimmagadda
 Chandrakant K. Thanawala
 Juzer Vasi
 Vijay A. Kumbhani
 Apurva R. Shah (w.e.f. 26th June 2006)
 Gautam B. Doshi

AUDIT COMMITTEE

(Reconstituted on 28th Oct. 2005)

| | |
|--------------------------|----------|
| Chandrakant K. Thanawala | Chairman |
| Rajendra V. Gandhi | Member |
| Vijay A. Kumbhani | Member |
| Apurva R. Shah | Member |

SHARE TRANSFER & SHAREHOLDERS'**GRIEVANCE COMMITTEE**

| | |
|---------------------|--------------------|
| Rajendra V. Gandhi | Chairman |
| Vijay A. Kumbhani | Member |
| Abhay B. Doshi | Member |
| Shivkumar S. Somani | Compliance Officer |

REMUNERATION COMMITTEE

(Remuneration and Selection Committee reconstituted as single committee on 28th October 2005)

| | |
|--------------------------|----------|
| Rajendra V. Gandhi | Chairman |
| Rajendra J. Shah | Member |
| Chandrakant K. Thanawala | Member |
| Juzer Vasi | Member |

SELECTION COMMITTEE (Upto 28th October 2005)

| | |
|--------------------|-----------------------|
| Rajendra V. Gandhi | Chairman |
| Rajendra J. Shah | Member |
| Juzer Vasi | Member |
| R. B. Dholam | Management Consultant |

SENIOR MANAGEMENT

| | |
|------------------------|---------------------|
| Srinivas A. Balaji | Shivkumar S. Somani |
| Joy Chacko | Milan J. Trivedi |
| Kiran Raut | Rajiv B. Doshi |
| Deepak N. Chandavarkar | |



FINE-LINE

CIRCUITS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of FINE LINE CIRCUITS LTD. will be held on Monday the 31st July 2006 at 4.30 p.m. at Gr. Floor, Backside SDF VI, SEEPZ- SEZ, Andheri East, Mumbai – 400096 to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31st March 2006, the Profit & Loss Account of the Company for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R.V. Gandhi who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Juzer Vasi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Gautam B. Doshi who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification/s, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 260 and other applicable provisions if any, of the Companies Act, 1956, Shri Apurva R. Shah who was appointed as additional director and who holds office up to the date of this Annual General Meeting and for whom a notice has been received proposing him to appoint as a director of the Company be and is hereby appointed as a director of the Company, whose period of office shall be liable to retirement by rotation."

Registered Office

145, SDF V, Seepz, SEZ
Andheri (E), Mumbai - 400 096

By Order of the Board

Bhagwandas T. Doshi
Executive Chairman

Dated: 26th June 2006

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. Members/ Proxies should bring the Attendance Slip filled in for attending the meeting. They are also requested to bring their copies of the Annual Report to the Meeting
3. The Register of Members and Share Transfers Books of the Company will remain closed from 25th July 2006 to 31st July 2006 (both days inclusive).
4. Members desiring any information as regards the accounts are requested to write to the Company at least seven days in advance of Annual General Meeting so as to enable the Management to keep the information ready.
5. Members are requested to notify the changes, if any, in their address to update our record and to avoid non-delivery of communication.
6. The relative Explanatory Statement Under Section 173 of the Companies Act, 1956, in respect of the **Special Business** at item No. 6 is annexed hereto.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 6**

Shri Apurva R. Shah was appointed as an additional director of the Company by the Board of Directors on 26th June 2006. He holds office upto the date of this Annual General Meeting and is eligible for appointment.

Shri Apurva R. Shah, is a Chartered Accountant and Cost & Works Accountant. He was graduated from the London School of Economics and Political Sciences with a distinction in International Accounting and Finance. He was a rank holder in the Chartered Accounting Examinations with an award for the highest distinction in Financial Accounting and in Direct Tax Laws. He is a partner at M/s. Rajendra & Company, Chartered Accountants. He is having expertise in the area such as Direct Taxation, Foreign Exchange Management Law, Financial Management and Business Restructuring and in Accounting.

The directors commend the resolution for approval of the members.

None of the directors except Shri Apurva R. Shah is concerned or interested in the this resolution.

145, SDF V, Seepz, SEZ
Andheri (E), Mumbai - 400 096

By Order of the Board

Bhagwandas T. Doshi
Executive Chairman

Dated: 26th June 2006

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CIRCUITS LIMITED

DIRECTORS' REPORT

To,
The Members

Your Directors are pleased to present the Sixteenth Annual Report and audited accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

Rs in Lakhs

| | 2005-06 | 2004-05 |
|---|---------|---------|
| Sales and other Income | 2377.03 | 1920.02 |
| Gross Profit before depreciation and tax | 155.88 | 241.30 |
| Less : Depreciation | 163.38 | 186.84 |
| Profit before Tax | (7.50) | 54.46 |
| Less : Provision for current tax | 5.03 | 12.49 |
| Provision for deferred tax | (13.33) | (8.67) |
| Fringe Benefit tax | 3.63 | — |
| Profit after Tax | (2.83) | 50.64 |
| Add: Excess/(Short) provisions of earlier year | 6.62 | — |
| Net Profit | 3.79 | 50.64 |
| Add : Balance brought forward from previous year | 317.96 | 268.28 |
| Amount available for appropriation | 321.75 | 318.92 |
| Less : Appropriation – Transfer to Capital Redemption Reserve | 0 | 0.96 |
| Balance carried to Balance Sheet | 321.75 | 317.96 |

DIVIDEND

In order to conserve financial resources your Directors do not recommend any dividend.

PERFORMANCE AND OPERATIONAL RESULTS

The concerted team efforts at the factory enhanced its operations even with adverse and competitive environment at global level. The sales were higher at Rs.23.77 crores as against Rs. 19.20 crores in the previous year i.e. a growth of 23.87%. The Printed Circuits Boards (PCBs) Production was also higher at 25,760 sqm as against 21,172 sqm in previous year i.e. a growth of 21.67%. The increased productivity was however eroded by the sharp increase in material costs and high rejections. Tough competition in the global market with China resulting in decreasing sales realization per sqm were other factors, affecting the profitability adversely. The Company continues to export its products to USA, Germany, UK, Switzerland and Singapore.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, reports on Management Discussion & Analysis and on Corporate Governance along with a Certificate from the Auditors are attached hereto and form part of this Report.

DIRECTORS

With profound grief, we report the sad demise of Shri Rajendra J. Shah, one of our founder directors who had significantly contributed to the growth and prosperity of the company. Under his professional guidance, the company turned the corners and reached to this level. The Board of Directors and the management put on record his presence, his insightful participation and his enormous ability.

Shri R. V. Gandhi, Prof. Juzer Vasi and Shri Gautam B. Doshi, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting of the Company.

Shri Apurva R. Shah was appointed as an additional director on 26th June 2006. By virtue of Section 260 of the Companies Act, 1956, he would hold office upto the date of ensuing Annual General Meeting and is eligible for appointment.

AUDITORS

Messrs. DKP & Associates, Chartered Accountants, the Statutory Auditors of the Company, hold the office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a letter from the Auditors that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. You are requested to appoint the Auditors and fix their remuneration.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state that :

- i. In preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the Profit of the Company for the year ended on that date.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

LISTING ARRANGEMENTS

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Ltd., Mumbai and the listing fees has been paid up to 31st March 2007.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**A. CONSERVATION OF ENERGY**

The Company has systematic in-house energy conservation program. Several measures have been taken to conserve the energy and those are being satisfactorily implemented.

B. ADDITIONAL INVESTMENT AND PROPOSALS, IF ANY BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY

The Company continuously substitutes high power equipments wherever feasible with low power equipments and for that the necessary changes in requisite process operations are planned, implemented and reviewed regularly.

C. RESEARCH AND DEVELOPMENT

The Company does not have separate R&D division but the production team updates its technology and brings in innovative solution based on customer requirements and supplier support.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company exported Printed Circuits Boards during the year and continue to make constant efforts to increase its export sales by tapping additional markets.

The details of Foreign Exchange Earnings and Outgo are as under: (Rs.in Lakhs)

| YEAR ENDED 31ST MARCH | Foreign Exchange | | |
|-----------------------|------------------|--------|--------------|
| | Earning | Outgo | Net Earnings |
| 2006 | 2113.76 | 939.20 | 1174.56 |
| 2005 | 1719.98 | 836.80 | 883.18 |
| 2004 | 1448.47 | 688.57 | 759.90 |
| 2003 | 1192.85 | 478.76 | 714.09 |
| 2002 | 1037.50 | 405.81 | 631.69 |
| 2001 | 1271.46 | 445.93 | 825.53 |
| 2000 | 791.67 | 379.67 | 412.00 |
| 1999 | 606.89 | 230.06 | 376.83 |

FIXED DEPOSITS

The Company has not accepted any deposits during the year

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.



CIRCUITS LIMITED

ACKNOWLEDGEMENT

We are thankful to our clientele and vendors for their continued support during the year.

We place on record our deep appreciation of the contribution made by the staff and the workmen at all levels. Their contribution has in no small measure enabled the Company to remain competitive.

Grateful thanks are also due to SEEPZ-SEZ Authorities, for their continued support extended to the Company from time to time.

Shareholders' appreciation for the management's efforts in such competitive times, at the General Meeting of the Company will be of great fillip to strive for better performance in spite of adverse factors faced by the Company.

For and on behalf of the Board

Place : Mumbai
Dated : 26th June 2006

Bhagwandas T. Doshi
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

As per the provisions of the Corporate Governance under the Listing agreement, the Management Discussion and Analysis (MDA) Report forms part of the Directors' Report and reflects current state of the business.

1) INDUSTRY STRUCTURE AND DEVELOPMENT

The severe increase in material cost coupled with low realization per square metre and high rejection has severely affected the profitability of the company. The management is seized of the situation and is striving its best to combat the trend with appropriate measures.

2) MODERNISATION, OPPORTUNITY & THREATS

With India being seen as a Quality Service provider and a hedge against China for diversifying purchases by the G8 countries and developing a reliable second level option as a supplier (the first choice being China) we believe there is an opportunity in a certain small to medium volume market. These niches are however short lived and it is a constant challenge to identify them.

3) SEGMENTWISE PERFORMANCE

Printed Circuits Boards (PCBs) is the only business segment in which the company is dealing. It is the buyers' market. More so in the international market. Your company is a 100% EOU having manufacturing facilities in Seepz-SEZ. Some of the main competitors are the suppliers from China.

4) a) BUSINESS SCENARIO

Printed Circuits Boards (PCBs) being basic electronic component, it continues to have wide applications. The management is seized of the competition and quality consciousness at all the levels. The company is in the driver's seat for the quality of the products and has earned a good name in the universal market. The company's policy to accept the return of rejected PCBs continues. This has kept the company's image in the market at high level of confidence. The company continues to up-date the plant in terms of up-keep and modernization.

b) HIGH TECHNOLOGY MULTILAYER UNIT

The High Technology Multilayer Unit (HTMU) continued to progress well and meet out its cost of production. It also started contributing to the sales volume and profitability.

5) RISK & CONCERNS

The company continues to enjoy the status of a 'debt free' company and continues with its policy to be free from borrowings. The financial status of the company is stable. The cash flow is judiciously managed to get the best exchange rate gains. It has an inbuilt mechanism and sufficient reserves to cover unforeseen situations arising out of manufacturing process, technology change arising from customized products and exchange risk. This helps to move rapidly to customer needs in Global Export Market.

6) INTERNAL CONTROL

The company has Internal Auditors who conducts internal audit that assesses the internal control systems. The Statutory Auditors and the Audit Committee review these controls regularly. Any change in the internal control that is recommended is studied and implemented based on the company needs and feasibility of implementation.

7) FINANCIAL PERFORMANCE

The company is comfortable and can meet all its financial needs out of its internal accruals. The sales were all time high at Rs. 23.77 crores as against Rs. 19.20 Crores in the previous year. The square metres produced were also higher at 25,760 sqm PCBs as against 21,172 sqm in the previous year. The Current ratio is healthy.

8) HUMAN RESOURCE DEVELOPMENT AND BUILDING LEADERSHIP QUALITIES

The personnel of the company are vital part of the organization. The company continues its policy to train them in-house, provide opportunity for external training, challenges them to exert and rewards performance.

The total number of employees on the rolls of the Company as of 31st March 2006 was 118.

9) RESEARCH & DEVELOPMENT FOR STABLE QUALITY

The company does not have dedicated Research & Development Department. Its production personnel undertake in-house research and development technique continuously with the help of customer feedbacks and supplier support. The company values customer satisfaction and delivers products of robust quality as per quality policy of the company.



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST MARCH 2006 (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is to protect the long-term interest of the shareholders while respecting interest of other stakeholders and society at large. The company has set up adequate review process, internal controls and an efficient management information systems.

The Company is committed to good corporate governance and transparency in its dealings and lays emphasis on integrity and regulatory compliance.

2. BOARD OF DIRECTORS

The present strength of Board of Directors of the Company is 10 (ten) including 7 (seven) Non-Executive Directors. The Directors are eminent professionals from amongst persons from the fields of business, finance, medicine, education and industry.

Composition and category of Directors are as under

| Sr # | Members | | Attendance for Board Meetings held During the year | Attendance At last AGM (Aug 22,2005) | Number of other Directorships (including Pvt. Ltd. Co.) | Committees (other than Fine-Line Circuits Ltd.) | |
|------|-------------------------|----|--|--------------------------------------|---|---|----------|
| | | | | | | Member | Chairman |
| 1 | Bhagwandas T. Doshi | PD | 5 | Present | 1 | - | - |
| 2 | G. Sudarsanam | ED | 4 | Present | - | - | - |
| 3 | Rajendra J. Shah (*a) | NI | 4 | Present | 4 | 5 | 3 |
| 4 | Rajendra V. Gandhi | NI | 5 | Present | 6 | - | 2 |
| 5 | U. Nimmagadda | NI | 1 | Present | 1 | - | - |
| 6 | Chandrakant K.Thanawala | NI | 4 | Present | 12 | 5 | 2 |
| 7 | Juzer Vasi | NI | 1 | Present | - | - | - |
| 8 | Vijay A. Kumbhani | NE | 4 | Present | - | - | - |
| 9 | Gautam B. Doshi | NE | 2 | Present | - | - | - |
| 10 | Abhay B. Doshi | PD | 5 | Present | - | - | - |
| 11 | Apurva R. Shah (*b) | NI | - | - | 5 | 6 | 1 |

PD = Promoter Director (Executive)

ED = Executive Director

NE = Non-Executive Director

NI = Non-Executive Independent Director

(*a) = Expired on 25th April 2006

(*b) = Appointed on 26th June 2006

None of the directors of the company is a member of more than 10 committees or Chairman for more than 5 committees across all companies in which he is a director.

Number and date of Board Meetings held

Five Board Meetings were held during the year 2005-2006 The dates on which the said meetings were held are as follows :

| Sr. # | Date | No. of Directors present |
|-------|-------------------------------|--------------------------|
| 1 | 30 th June 2005 | 6 |
| 2 | 29 th July 2005 | 6 |
| 3 | 22 nd August 2005 | 10 |
| 4 | 28 th October 2005 | 6 |
| 5 | 30 th January 2006 | 7 |

The Non Executive Directors of the Company are paid sitting fees for attending meetings of the Board of Directors and Committees. Besides sitting fees non-executive Directors are not paid any other remuneration or commission. The Executive Directors are not paid sitting fees.

The company has a process to provide the information to the Board as required under Annexure I to clause 49, which was followed.

All the directors have made necessary disclosures about the committee positions, they occupy in other companies.

The company has not entered into any materially significant transactions during the year under report with promoters, directors, senior management personnel.