

**14TH ANNUAL
REPORT
2003-2004**

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INDIAN TONERS & DEVELOPERS LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Sushil Jain Chairman & Managing Director
 Shri P.K. Kanoria Director
 Shri J.S. Varshneya Director
 Shri Vikram Prakash Director
 Dr. M.R. Jain Director
 Shri N.S. Sharma Director
 Shri. Sanjeev Goel Director

EXECUTIVE DIRECTOR & COMPANY SECRETARY

Shri S. C. Singhal

BANKERS

State Bank of India

AUDITORS

K.N. Gutgutia & Co.
 Chartered Accountants
 11-K, Gopala Tower,
 25, Rajendra Place,
 New Delhi 110 008.

REGISTERED OFFICE & WORKS

10.5 KM, Rampur-Bareilly Road,
 Rampur 224 901 (U.P)
 Tel. : (05960) 228174, 228148

CORPORATE OFFICE

5-E, Gopala Tower,
 25, Rajendra Place,
 New Delhi 110 008.
 Tel : (011) 25751420, 25742509
 (011) 25748160, 25763993
 Fax : 91-11-25751422
 E-Mail : info@indiantoners.com
 Website : <http://www.indiantoners.com>

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NOTICE

INDIAN TONERS & DEVELOPERS LIMITED

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of INDIAN TONERS & DEVELOPERS LIMITED will be held on Monday the 9th August, 2004 at 12.00 noon at the Registered Office of the Company at 10.5 K.M. Rampur - Bareilly Road, Rampur - 244901 (U.P.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the Year Ended March, 31st, 2004 and the Balance Sheet as at March, 31st, 2004 and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in Place of Shri P. K. Kanoria who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in Place of Shri Sanjeev Goel who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration and the mode of payment. M/s. K. N. Gutgutia & Co. Chartered Accountants, are the retiring Auditors.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member. Proxies in order to be

effective, must be received at the Registered Office / Head Office of the Company not less than Forty Eight Hours before the Meeting. A Proxy form is appended with the attendance slip.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 1st August 2004 to 9th August 2004 (both days inclusive).
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during Office hours on all working days except Saturday and Holidays between 11.00 a.m. to 1.00 p.m. up to the date of Annual General Meeting.
4. Member, who hold shares in dematerialised form are requested to bring their client ID and DP ID Nos. for easier Identification of attendance at the Meeting.
5. Members are requested to notify immediately any change in their addresses to the Company or to their respective depository participants without any delay.
6. In all correspondence with the Company members are requested to quote their Account / Folio Numbers and in case their Shares are held in the dematerialized form they must quote their Client ID No. and their DPID No.

By Order of the Board
for INDIAN TONERS & DEVELOPERS LTD.
(S.C. SINGHAL)
EXE. DIRECTOR
& COMPANY SECRETARY

PLACE : New Delhi
Dated : 28th May 2004

DIRECTORS' REPORT**INDIAN TONERS & DEVELOPERS LIMITED**

To The Members,

Your Directors have pleasure in presenting the 14th Annual Report alongwith the Accounts for the year ended March 31, 2004.

Working Results

	Rs.in lacs	
	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Turnover (including Excise Duty)	3392	3100
Operating Gross Profit	858	647
Less : Financial Charges	75	104
Depreciation & Other Amortisations	133	208
Profit/(Loss) before tax	650	412
Less : Provision for tax - current year	169	32
Net Profit/(Loss) before Deferred Tax	481	380
Less : Deferred Tax liability	(22)	131
Less : Adjustment relating to earlier year	-	-
Surplus Available for appropriation	503	249

OPERATIONS

During the year under review, your Company achieved a turnover of Rs. 3392 Lacs as against Rs. 3100 Lacs during the last year, thus registering an increase of around 10%.

The production during the year also increased to 559 MT as against 519 MT of the last year. Though the production and sales have increased in terms of quantity but due to tough competition in the market and import of toner by traders, the per unit sales realisation has fallen. However, due to introduction of new products with the help of Pilot Plant and due to tight control on expenses and lower interest cost, your Company has been able to improve its profits as compared to last year.

FUTURE OUTLOOK AND PLANS

Tough competition in the market specially from the

import of Toners by the traders will continue to be a challenge for your Company. The only solution is to increase our market share by more production, development of new products including Toners for the upcoming new generation and Digital Machines and Laser Printers. Keeping this in mind, your Company has geared itself to face this challenge. The existing Plant at Rampur is capable of producing upto 550 MT of Toners. In order to further increase production, your Company has set up a Milling Plant at Rampur which has already started functioning during the year. With this new Milling Plant the Toner manufacturing capacity of your Company will increase to 700 MT in the current year. Your Company is also planning to add an Extruder which will increase the Toner manufacturing capacity to 1200 MT in the coming years.

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The Pilot Plant installed by your Company in the last year is giving good results as your Company has developed several new products during the year which will help in facing competition and boosting export. During the year, your Company participated in exhibitions in Spain and China and will continue to do so all over the world. It has helped to attract/contact new customers and to introduce new products in the international market.

The fight against clandestine import in the guise of under invoicing is an ongoing process and your Company is quite hopeful that inspite of these odds, it will be able to manage and maintain its race to increase its turnover and profits. Though, the realisation are going down and costs are increasing due to various factors but your Company is trying its utmost to do the best by increasing the volume and value added products.

Customers' satisfaction, strengthening the established brand image by offering customers quality products at reasonable prices is the continuing aim of your Company. Expansion of the distribution channels to ensure faster service, more effective distribution, better presence and greater market penetration is a continuous process.

RESEARCH AND DEVELOPMENT ACTIVITIES

Research and Development have always been the cornerstone of your Company's success. With the help of the Pilot Plant, your Company has successfully developed new quality products at competitive prices to face the global competition and is very optimistic to develop many more products in the times to come. The R & D center has strengthened its professionals in delivering new and higher quality products and thus maintained our privileged standing with our valued customers.

FIXED DEPOSITS

The Company has not invited any deposits within the meaning of Section 58A of the companies Act, 1956 and the rules made thereunder.

DIRECTORS

Shri P. K. Kanoria and Shri Sanjeev Goel, Directors of your Company will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT
Pursuant to Section 217 (2AA) of the

Companies Act, 1956, with respect to Directors' Responsibility Statement, based upon the information provided, the Board of Directors hereby declare and confirm that :

- (I) in the preparation of the annual accounts, for the year ended 31st March, 2004 applicable accounting standards have been followed and there are no material departures.
- (II) Accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2004 and of the profit or loss of the company for the year ended 31st March 2004.
- (III) Proper and sufficient care has been taken 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) Annual accounts for the year ended 31st March 2004 have been prepared on a going concern basis.

AUDITORS

M/s K. N. Gutgutia & Co., Chartered Accountants, New Delhi, Auditors of the Company retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The Requisite Certificate Under Section 224 (1B) of The Companies Act, 1956 has been received from them.

OTHER INFORMATION

The other information required u/s 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure "A" of this report.

PERSONNEL

Cordial Industrial relations continued to prevail thereby further strengthening employees' commitment to the growth of the Company.

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The Board wishes to express its deep appreciation to all sections of the Employees for their whole hearted efforts, co-operation and outstanding contribution to the growth of the Company during the year.

Particulars of employees as required under section 217 (2A) of the Companies Act, 1956 read with Company (Particulars of Employees) Rules, 1975 form part of this Report. However, the information is not being sent alongwith the Annual Report as per Section 219 (1) (b) (iv) of the Act. Any shareholder interested in obtaining such particulars may write to the Company at its Corporate/Registered Office.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Additional information to the extent applicable on conservation of energy, technology absorption, foreign exchange earning and outgo is required to be disclosed in terms of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto and forms part of this report.

DISCLOSURES UNDER LISTING AGREEMENT

The Equity shares of the Company have been delisted from Ahmedabad and Delhi Stock Exchanges.

The Company has also already completed all the formalities for delisting of Equity Shares of the Company with Calcutta Stock Exchange long back but has not received any intimation as yet from the Exchange. After delisting from Calcutta Stock

Exchange, your Company will remain listed only with Mumbai Stock Exchange. The Company is regular in paying the listing fees on demand.

DEMATERIALISATION OF SECURITIES

As informed in the last year's Director Report, the shares of your Company were included in the compulsory list for trading in dematerialisation form with effect from 30.10.2000 and your company had entered into necessary agreements with both the Depositories i.e. NSDL (National Securities Depository Limited) and CDSL (Central Depository Securities Limited). It is, therefore, advisable to trade in the shares of the company in dematerialisation form which is convenient and safe.

CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement, a Report on Corporate Governance alongwith a certificate from the Auditors of the Company on the compliance of the conditions of Corporate Governance is provided elsewhere in this Annual Report.

ACKNOWLEDGEMENT

Your Directors acknowledge the cooperation and assistance extended by various agencies of the Central Government, the Uttar Pradesh Government, Financial Institutions, State Bank of India and Customers. Your Directors also thank the shareholders for their continued support.

Place : New Delhi
Date : 28th May, 2004

For & on behalf of the Board
(SUSHIL JAIN)
Chairman & Managing Director

ANNEXURE "A " TO DIRECTORS' REPORT

Information pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(A) Conservation of Energy

Regular Supervision and controls are being maintained in areas where steps have already been taken for the conservation of energy.

(B) Technology Absorption

- | | | | |
|----|---|---|---|
| 1. | Specific areas in which R&D carried out by the Company. | : | Development & Introduction of new Toners compatible for the upcoming Photocopiers. |
| 2. | Benefits derived as a result of the above R&D. | : | Wider acceptability of extended range of Products. |
| | | : | Availability of extended range of products resulting in procurement & servicing of orders for additional products in the export & domestic markets. |
| 3. | Further plan of action | : | Development of more toner/developer formulations as well as their packaging. |
| | | : | Re-sourcing of raw materials from other economical sources. |
| | | : | Import substitution of plant/machinery items by developing indigenous ones for economy in working. |
| 4. | Expenditure on R&D | : | Charged under the respective head of accounts. |

Technology Absorption, Adaption and Innovation

- | | | | |
|----|------------------|---|---|
| 1. | Efforts in brief | : | The technology & know-how given by the collaborator has been absorbed. The Company is in continuous touch with the developments taking place in the international field. |
| 2. | Benefits derived | : | Efficient plant operation, achieving international product quality, self development of products and their packaging, substituting raw materials from economical sources. |

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3. In case of imported Technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
- (a) Technology import : 1. Research & Development of various types of Toners.
: 2. Augmenting Production capacity of Toners.
- (b) Year of import : 2002-03, 2003-04
- (c) Has technology been fully absorbed? : Yes
- (d) If not fully absorbed area where this has not taken place reason therefore and future plans of action. : Not applicable, since Technology is fully absorbed.
- (c) **Foreign Exchange Earnings/Outgo**
1. Activities Relating to Exports
The Company has been able to procure Export Orders of substantial quantities. Major efforts are being made by the Company to break into some more countries.
2. **Total Foreign Exchange used and earned**

		Rs. in Lacs	
		2003-2004	2002-2003
a)	Total Foreign Exchange used		
i)	Import of Plant & Machinery	299.61	191.96
ii)	Import of Raw Materials	968.35	973.44
iii)	Import of Stores & Spares and Packing material	69.61	59.45
iv)	Foreign Travel	17.42	17.05
v)	Interest	20.78	28.11
vi)	Others	9.20	5.86
	TOTAL	1384.97	1275.87
b)	Total Foreign Exchange earned	506.28	428.13

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

INDUSTRY AND OUTLOOK

The Company manufactures Compatible Toners and Developers for Photocopiers, Laser Printers and Digital Printers. The Industry is affected by the clandestine import of Toners by under invoicing by the traders leading to tough competition in the market.

The long term aim of the Company is to strengthen its established brand image by offering customers quality products at reasonable prices. The aim of the Quality Policy of the Company is to provide satisfaction to its customers. To achieve this, the Company is committed to develop, produce and market products that cater continuously to the need and expectations of customers and succeed in giving the Company competitive advantage. The Company has already installed a Pilot Plant which will help in developing new quality products at competitive prices. In order to increase production to increase its market share, the Company has set up a Milling Plant, which has already started functioning during the year, and will increase the Toner manufacturing capacity to 700 MT in the current year. The Company is also planning to add an Extruder which will increase the Toner manufacturing capacity to 1200 MT in the coming years.

RISKS & CONCERNS

Nearly 70% of the Company's sales is within India and hence the growth and profitability of the Company depends upon the growth of the Indian economy. Since 100% raw materials of the Company is imported, it is subject to global cycles with high volatility in the price and Foreign Exchange fluctuation. The Company's ability to pass on the cost increase by corresponding increase in the selling prices of its products is constrained due to tough competition in the market.

Unfavourable trends in import tariffs on raw materials and products may adversely affect the input cost or sales realisation thereby reducing the profitability.

OPPORTUNITIES

Exports present the biggest opportunity for the Company for increasing the capacity utilisation and improving profitability. The Company is taking steps to increase its presence in other countries.

In the domestic market, the Company aims to achieve a larger share and also develop new value added products for specific applications.

FINANCIAL PERFORMANCE

The sales (including Excise Duty) for the year was Rs. 3392 Lacs as compared to Rs. 3100 Lacs for previous year. The Company earned a profit before tax of Rs. 650 Lacs as compared to Rs. 412 Lacs for the previous year. The factors contributing to improved profitability include higher sales volume, better sourcing of materials and improvement in formulations and introduction of new products. Competition from the clandestine import by under invoicing adversely affected the profitability. Repayment of loans to Financial Institutions including ECB and improved liquidity resulted in significantly lowering the interest cost.

INTERNAL CONTROL SYSTEM

The Company has proper and adequate Internal Control System to ensure that its assets are safeguarded and that transactions are properly authorised, reported and recorded. The Company has also a system of internal audit and management reviews to ensure compliance with the prescribed procedures and authority levels.

HUMAN RESOURCES

Industrial relations remained cordial during the year. The total number of employees as on 31.03.2004 was 265.

CORPORATE GOVERNANCE REPORT

(ANNEXURE TO THE DIRECTORS' REPORT)

As required under Clause 49 of the Listing Agreement of the Stock Exchange(s)

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance to Indian Toners & Developers Limited means not only compliance with the provisions of Company Law, allied Acts and listing agreement but also directors' responsibility to work with morality, ethics and accountability towards shareholders for their acts and decisions.

The Company aims at conducting its business efficiently, by following professionally acknowledged good governance policies, thus meeting its obligations to all stakeholders in a balanced and accountable manner and its policies are towards creation of Shareholders value in terms of long term sustainability of the Company's business.

2. Composition of Board of Directors as on 31st March, 2004

- a). The Board of Directors has a mix of Executive and Non-Executive Directors. The Board comprises 2 Executive Directors and 5 Non-Executive Directors. Accordingly, the composition of the Board meets the stipulated requirements.

Name of the Director	Category	Attendance Particulars		No. of Directorship and Committee Memberships / Chairmanships		
		Board Meeting	Last AGM	Other Director Ships*	Committees	
					Member Ships	Chairman Ships
Mr. Sushil Jain	CMD#	5	Present	4	----	----
Mr. P. K. Kanoria	NED	1	Not Present	3	----	----
Mr. J. S. Varshneya	NED-I	3	Not Present	15	5	4
Mr. Vikram Prakash	NED-I	3	Not Present	6	2	2
Dr. M. R. Jain	NED-I	4	Not Present	3	----	----
Mr. N. S. Sharma	ED **	5	Present	1	----	----
Mr. Sanjeev Goel	NED-I	5	Present	1	----	----

* Directorship in Private Limited Companies are included in the above table

Chairman & Managing Director

** ED - Executive Director, NED-I - Non Executive Director - Independent, NED - Non Executive Director

During the Year 2003 - 2004 the Board of Directors met 5 times on 19th May, 2003, 06th June, 2003, 31st July, 2003, 31st October, 2003 and 30th, January 2004.