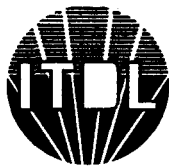


16TH ANNUAL REPORT 2005-2006

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INDIAN TONERS & DEVELOPERS LIMITED

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 : (011) 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 16th Annual General Meeting of the Shareholders of **INDIAN TONERS & DEVELOPERS LIMITED** will be held on Monday the 7th August, 2006 at 2.30 p.m. 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, 2006 and the Balance Sheet as at March, 31st, 2006 and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in Place of Shri Vikram Prakash 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.

SPECIAL BUSINESS:

- 5 To consider and if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION:**

"**RESOLVED THAT** pursuant to the provisions of Section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956 and subject to any other approvals, if any, required under other laws, consent of the Company be and is hereby accorded to Shri Akshat Jain, a relative of Shri P.K. Kanoria and Shri Sushil Jain, Directors of the Company, to hold an office or place of profit under the Company carrying a total monthly remuneration of Rs. 50,000/- (Rupees Fifty thousand only) on such designation and from such date as the management of the Company may decide from time to time.

FURTHER RESOLVED that the Company be and is hereby further authorised to bifurcate the monthly remuneration of Shri Akshat Jain into basic salary and other perquisites as per rules / schemes of the Company from time to time."

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

ITEM NO. 5

Shri Akshat Jain, son of Shri Sushil Jain, Chairman & Managing Director and relative of Shri P.K. Kanoria, a Director, was appointed by the Board of Directors in their meeting held on 31.01.2005 as "Manager- Corporate Affairs" with effect from 01.3.2005 on a total monthly remuneration of Rs.25,000- (Rupees Twenty Five Thousand Only) or such other remuneration or designation, as the management may decide, with authority to bifurcate the same into basic salary and other perquisites as per rules / schemes of the Company from time to time.

After joining Sh. Akshat Jain is doing extremely well. He has been instrumental and taking keen interest in finding a new project for the Co. by visiting various places and discussing with various parties including from foreign countries. The Board in its meeting held on 29.05.2006 revised the upper limit of remuneration payable to Shri Akshat Jain from Rs. 25,000/- to Rs. 50,000/- p.m. subject to the approval of the Shareholders.

Shri Akshat Jain is a young dynamic person of 22 years. He did his schooling from Saint Columbus School and American Embassy School in India and B.Sc in Business Administration from Pepperdine University, Malibu, CA.

Shri Akshat Jain worked in Identysafe, Inc. Los Angeles, CA, Bharti Televentures (Airtel), New Delhi, India and Merrill Lynch, New York, NY for short intervals to acquire experience of Corporate World.

Shri Akshat Jain, being a relative of Shri P. K. Kanoria and Shri Sushil Jain, directors, his appointment / or Change in remuneration requires your approval Under Section 314(1) of the Companies Act, 1956.

No other Directors except Shri P. K. Kanoria and Shri Sushil Jain, being relatives of Shri Akshat Jain, are interested in the Resolution.

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 2006 to 7th August 2006 (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. Members, who hold shares in de-materialised 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 DP ID No.

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

PLACE : New Delhi
Dated : 29th May 2006

To
The Members,

Your Directors have pleasure in presenting the 16th Annual Report alongwith the Accounts for the year ended March 31, 2006.

Working Results

	Rs.in lacs	
	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Turnover (including Excise Duty)	4080	3477
Operating Gross Profit	820	640
Less : Financial Charges	44	55
Depreciation & Other Amortisations	169	213
Profit/(Loss) before tax	607	427
Less : Provision for tax - current year	225	166
Net Profit/(Loss) before Deferred Tax	382	261
Add : Deferred Tax liability	10	29
Surplus Available for appropriation	392	290

OPERATIONS

During the year under review, your Company achieved a turnover of Rs. 4080 lacs as against Rs. 3477 Lacs during last year showing an increase of 17.34 %.

The production during the year also increased to 745 MT as against 612 MT of the last year. Though the production and sales have increased in terms of quantity but the per unit sales realization has fallen due to tough competition in the market, import of toner by traders and increase in the prices of some of the major raw materials. 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. Repayment of Loans to Financial Institutions including ECB made your Company debt free during the 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 already increased its manufacturing capacity and taken steps to increase export turnover.

Your Company has also started selling some components of the Printers which will add to the turnover and Profits of your Company.

The wholly owned subsidiary of the Company set up last year in USA by the name ITDL (USA) Inc with a view to enter into the South American Market has started its activities and the management is hopeful that it should add substantially to the exports of your Company. In order to increase exports, besides participating in exhibitions all over the world, your Company has also opened a

Representative Office in Singapore. Your Company is also exploring the possibilities to open offices in China / Europe, which will further help in boosting the exports of your Company

The fight against clandestine import by unethical means 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 by increasing its market share both in domestic and international markets.

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 has 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.

Recognition by the Department of Scientific and Industrial Research, Ministry of Science & Technology to your In - House R & D Unit on 10.12.2004 has added one more feather to the cap of your Research & Development Centre.

During the year the Company has incurred R & D expenses of Rs.59,88,425/- in various heads (including Raw Material Consumption of Rs. 5,86,589/-) in addition to Rs. 5,20,812/- for purchase of capital items. Your Company has exhaustive programme of R & D activities in the coming years.

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 Vikram Prakash 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, it is hereby confirmed that:-

- (I) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (II) the directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the company for that period;
- (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; and
- (IV) the directors have prepared the annual accounts 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.

The reports and accounts of the Subsidiary Companies (consolidated) along with the Statement pursuant to Section 212 of the Companies Act, 1956 are annexed

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 continue to prevail thereby further strengthening employees' commitment to the growth of the Company.

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 Company has 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 earlier, 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
Dated : 29th May 2006

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. | : | 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. |
| 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 | : | Augmenting Production capacity of Toners. |
|-----|-------------------|---|---|

INDIAN TONERS & DEVELOPERS LIMITED

- (b) Year of import : 2002-03, 2003-04, 2004-05, 2005-06
- (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 due to Major efforts made break into some more countries. It has resulted in increase in Exports during the year ended 31st March, 2006 as compared to 31st March, 2005

2. Total Foreign Exchange used and earned

	Rs. in Lacs	
	2005-2006	2004-2005
a) Total Foreign Exchange used		
i) Import of Plant & Machinery	136.67	3.52
ii) Import of Raw Materials	1136.79	961.60
iii) Import of Stores & Spares and Packing material	34.57	42.91
iv) Foreign Travel	14.36	16.24
v) Interest	3.37	13.00
vi) Consultancy Charges (for R & D purpose)	5.25	8.18
vii) Others	10.26	11.77
TOTAL	1341.27	1057.22
b) Total Foreign Exchange earned	848.09	647.52

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.

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 Pilot Plant installed by the Company is giving good results as the Company has developed several new products at competitive prices which will help in facing competition and boosting export. The Company has increased its Toner Manufacturing Capacity to 1200 MT.

The Company has also set up a wholly owned subsidiary in USA by the name ITDL (USA) Inc. with a view to enter into the South American Market. It has already started giving results which will help in boosting the exports. The Co. has also opened a Representative Office in Singapore. Possibilities are being explored to open offices in China / Europe which will further give boost to exports.

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, Foreign Exchange fluctuations, increase in oil prices and international freight etc. may have adverse affect on the costing of the Co.'s products. 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. Setting up a wholly owned subsidiary in USA and opening of representative office in Singapore are efforts in this direction. Opening of offices in China / Europe will increase Company's presence in the international market.

In the domestic market, the Company aims to achieve a larger share and also develop new value added products for specific applications. The Company has also started selling Printer Components through its existing net work.

Efforts are also being made to go in for diversification by setting up a new project.

FINANCIAL PERFORMANCE

The sales (including Excise Duty) for the year were Rs. 4080 Lacs as compared to Rs. 3477 Lacs for previous year. The Company earned a profit before tax of Rs. 607 Lacs as compared to Rs. 427 Lacs for the previous year. Repayment of loans to Financial Institutions including ECB made the Company debt - free 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 31.03.2006 was 278.