

ANNUAL REPORT 1998-99



JCT ELECTRONICS LIMITED

BOARD OF DIRECTORS

Mr. M.M. Thapar, Chairman
Mr. Arjun Thapar, Managing Director
Mr. V.Rajaraman
Mr. R.K. Seth
Mr. R.S. Mehra
Mr. S.C. Kumar, Nominee IFCI
Mr. S. Ravi, Nominee IDBI

CHIEF OPERATING OFFICER

Mr. Anil Nayar

SECRETARY

Mr. Gopal Krishnan

AUDITORS

V. Sahai & Co.
New Delhi

REGISTERED OFFICE

A-32, Industrial Phase VIII
S.A.S. Nagar,
Mohali (Punjab)

HEAD OFFICE

Thapar House,
124 Janpath
New Delhi - 110 001

WORKS

Mohali - Punjab
Vadodara - Gujarat

BANKERS

Allahabad Bank
ANZ Grindlays Bank
Bank of Baroda
Bank of Nova Scotia
Citibank N.A.
Hongkong & Shanghai Banking Corpn.
Indian Overseas Bank
Oman International Bank Ltd. S.A.O.G.
Punjab National Bank
Punjab & Sind Bank
SBI Commercial & International Bank Ltd.
Standard Chartered Bank
State Bank of India
State Bank of Patiala
The Bank of Tokyo - Mitsubishi Ltd.
The Fuji Bank, Limited
The Sanwa Bank Limited
The Siam Commercial Bank p.l.c.
UCO Bank



DIRECTORS' REPORT

Your Directors present their Report together with Audited Accounts for the year ended 31st March, 1999.

Financial Results

	Year Ended 31.03.99 (Rupees in lacs)	Year Ended 31.03.98
Gross Sales including other income	20245	26620
Gross Profit/(Loss)	(906)	1321
Less : Depreciation	861	802
Net Profit/(Loss) before tax	(1767)	519
Provision for tax	—	55
Net Profit/(Loss) after tax	(1767)	464
Surplus from earlier years brought forward	3496	3032
Surplus carried over to Balance Sheet	1729	3496
Share Capital - Equity	3454	3454
Reserves and Surplus	4918	6685
	8372	10139

Operations

The CPT market has seen continuous growth over the previous years. The margins have however been under pressure on account of competition both in the Domestic and International markets. Despite the growing market, production volumes were lower during the year on account of non availability of working capital. The Mohali unit of the Company produced 555951 nos. of CPTs and sales from the unit were 580183 nos. during the year under review.

The operating profit for the year under review was Rs.642 lacs. However, after providing for interest and depreciation there is a net loss of Rs.1767 lacs. This has primarily been due to non utilisation of the production capacities available on account of working capital constraints. The surplus available after adjusting the net loss from the surplus of earlier years is Rs.1729 lacs.

To conserve resources, Directors do not recommend any dividend on the Equity Shares.

Capitalisation of Vadodara Plant

The company had started trial production at the Vadodara

plant in October, 1996 but a plant of this type which is technology oriented requires adjustment and testing of various process parameters and it has taken time to achieve the required quality and quantity because various technical problems affecting the quality of the product had to be solved. Significant efforts were made with the help of the technical collaborators M/s. Hitachi Ltd. of Japan and as a result many changes were made in the plant during this period. The plant has now been properly tested and adjusted and all process parameters have been set right and the company is now able to produce colour picture tubes at the Vadodara plant in commercially feasible quantities of acceptable quality and specifications. Considering these facts the company has fixed 30th March, 1999 as the date of commencement of commercial production and accordingly expenditure during construction and trial period of Rs. 28979 lacs was capitalised and Rs. 399 lacs has been treated as deferred revenue expenditure to be written off over the next five years.

Business Prospects/Outlook

The domestic Colour TV (CTV) market continues to record substantial growth and is expected to continue to grow in the years to come. With the commissioning of the Vadodara unit, your company is fully geared to meet the increasing demand. The combined manufacturing capacity from both the units will now be 2.2 million CPTs per annum. Your company has initiated various steps for increased availability of raw materials towards achieving substantially increased production volumes. In the first four months of the current year, the production from both the units has been 401433 nos. as against 306233 nos. during the previous year reflecting a 31% growth. Your Company has identified and is actively pursuing various steps to bring down costs so as to improve profitability in the years to come.

Finances

Your Company has initiated a major financial re-structuring exercise in order to improve its operations and to reduce interest costs. Your Company is actively considering fresh infusion of funds from various sources.

Your Directors confirm that the secured redeemable non-convertible debentures raised by the Company were deployed in the project.

Fixed Deposits

As on 31st March, 1999, deposits amounting to Rs.74.94 lacs were unclaimed. Since then deposits amounting to Rs.73.14 lacs have been repaid/renewed.



Y2K Compliance

Your company has taken adequate steps to ensure that all relevant processes, plant and equipment and computerised systems are Y2K compliant. The operations and functions which could be affected due to Y2K problem are being taken care of by the on going implementation of ERP solutions. The company also has contingency plans to address issues on account of Y2K.

HRD and Industrial Relations

Human resource development continues to be one of the major thrust area of the company. Your company recognises that the employees are its greatest strength in realising its goals and objectives. The human resource policies are aimed at providing for job satisfaction, growth opportunities as well as sustaining maximum productivity and performance levels. The workers and staff remain committed to total customers satisfaction and the progress of the company. Industrial Relations climate remained cordial at both the manufacturing units. Your Directors commend the commitment and hard work put in by all employees.

Directors

The Industrial Finance Corporation of India Limited (IFCI) have nominated Mr S C Kumar on the Board of the Company with effect from 29th January, 1999. Mr S Ravi has been nominated on the Board of the Company by The Industrial Development Bank of India with effect from 20th August, 1999.

Mr R K Kaul resigned from the Board of your Company due to health reasons which was accepted with effect from 25th August, 1999. Your Directors place on record their

appreciation of the contributions rendered by Mr Kaul during his long association with the company.

Mr R S Mehra and Mr V Rajaraman, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Other Information

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo and the particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 and Rules framed thereunder and forming part of this report are annexed.

Auditors

The Auditors, Messrs V Sahai & Co., Chartered Accountants, hold office till the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The observations of the Auditors referred to in their report have been suitably explained in the Notes to the Accounts and in this report.

Acknowledgement

The Board acknowledges the valuable support of the Collaborators, Government agencies, Financial Institutions, Banks, Customers, Suppliers and Shareholders and looks forward to their continued support.

On behalf of the Board,

New Delhi
25th August, 1999

Arjun Thapar
Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

Information under 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 and forming part of the Directors' Report for the year ended 31st March, 1999.

A. CONSERVATION OF ENERGY

- a) To save energy, awareness in the employees was initiated and taken following steps:
1. Reorientation of lighting fixtures.
 2. Recycling of Cooling water for precooling input to Shadow Mask Area, using pumps and level switches, thus saving water as well as electricity.
 3. Revamping of hot zones of exhaust furnace for better insulation.

- b) Future energy conservation programmes include

1. Recycling of steam condensate.
2. Implementation of Solar Water heating system and providing efficient Burner in furnaces.
3. Stopping of air losses and recycle to processes.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**a) RESEARCH & DEVELOPMENT**

1. JCTEL is carrying out R&D in the following areas:
 - Import Substitution
 - Technology upgradation
 - Process Development
 - Quality Improvement
 - Energy conservation
 - Development of alternative Raw Materials
2. Benefits derived as a result of above
 - Import substitution of a large number of components

- Cost reduction by improving design of various components and by developing alternative sources.
- Usage Improvement.
- Quality Improvement.

3. Future plan of action

- To continue R&D work in above areas.

4. Expenditure on R&D

No significant expenditure was involved. The up-gradations and improvements were carried out during the normal operations.

b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Technology
For manufacture of 20", 21" and 14" Colour Picture Tubes, 20" Deflection Yoke and 21" Electron Gun and other components from Hitachi, Ltd. Japan.
2. Year of Import
20" Colour Picture Tubes & its components in 1986.
Deflection Yokes in 1988.
21" and 14" Colour Picture Tubes in 1994.
Electron Gun in 1994.
3. Has technology been fully absorbed.
Technology for the above have been absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange outgo during 1998-99	-	Rs. 5295.13 lacs
Foreign exchange earning during 1998-99	-	Rs. 1543.96 lacs

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AS AMENDED AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

Name, Designation, Remuneration Recd./Receivable (Rs.), Qualification, Experience (Yrs.), Date of Employment, Age (Yrs.), Last Employment held before Joining the Company

EMPLOYED THROUGHOUT THE YEAR

GUPTA SUSHIL, GENERAL MANAGER (COMMERCIAL), 668,338, B.E.(MECH.)HONS.MBA.LFII, 19, 02.03.87, 42, STEEL STRIPS LTD.
JAIN S R, VICE PRESIDENT (ACCOUNTS & FINANCE CONTROL), 1,246,258, B.Com., LLB, FCA, 30, 01.09.88, 52, ON SECONDMENT FROM JCT LTD.
JHURANEY J C, VICE PRESIDENT (PERSONNEL & HRD), 1,256,319, M.A.(ECO), PGDPM, 26, 02.12.82, 49, SAMTEL INDIA LTD.
KAPUR RAJ, VICE PRESIDENT (MARKETING), 1,264,736, B.A.(Hons.), DBM, 25, 01.08.87, 46, STERLING STEEL & WIRES LTD.
KRISHNAN GOPAL, COMPANY SECRETARY & CHIEF INTERNAL AUDITOR, 710,734, M.Com., FCS, 21, 01.10.87, 45, JCT FIBRES LTD.
MEHTA V K, GENERAL MANAGER (TECHNICAL OPERATIONS), 744,324, B.E.(HONS.)CHEMICAL ENGG., DIPLOMA IN PROJECT MANAGEMENT, 25, 15.09.87, 47, PN.FC. LTD.
NARANG MPS, GENERAL MANAGER (ACCOUNTS), 768,143, B.COM, FCA, 20, 11.08.86, 44, INDO ASIAN SWITCHGEARS LTD.
NAYAR ANIL, CHIEF OPERATING OFFICER, 2,207,370, B. Tech. (IIT Kanpur), PGDM(IIM-Ahmedabad), 24, 01.05.92, 49, ON SECONDMENT FROM JCT LTD.
PATANKAR P N, VICE PRESIDENT (WORKS), 1,128,381, M.SC. (ENGG), B.E. (MECH), DBM, 28, 16.01.96, 51, SAMTEL INDIA LTD.
ROY AMIT, GENERAL MANAGER (FINANCE), 681,624, B.SC., ACA, 24, 01.04.90, 48, JCT FIBRES LTD.
SACHDEV KESHAV VICE PRESIDENT (WORKS), 1,256,918, B.SC (ENGG. MECH. HONS), PG DIPLOMA IN IIR, 33, 27.04.92, 55, ICI INDIA LTD.
SHARMA SHASHI, VICE PRESIDENT (COMMERCIAL), 1,247,581, B.Sc., MBA, 25, 01.07.85, 51, ON SECONDMENT FROM JCT LTD.
SUBRAMANIAM K V, VICE PRESIDENT (PROJECTS), 1,295,042, B.Sc., B.Tech., 31, 19.08.94, 54, HOTLINE GLASS LIMITED
THAPAR ARJUN, MANAGING DIRECTOR, 918,211, GRADUATE IN TEXTILE MGMT. & MKTG.(PHILADALPHIA-USA), 14, 19.08.85, 37, --

EMPLOYED FOR PART OF THE YEAR

KUNDRA S S, SR MANAGER (ENGG.), 426,233, B.SC ENGG. (MECH), 21, 19.10.87, 44, PUNJAB ANAND BATTERIES LTD.
SAGAL J N ADVISOR, 690,748, ACA, 36, 07.10.96, 74, JCT LTD.
SOOD HARISH, GENERAL MANAGER (TECHNICAL OPERATIONS), 654,292, B.E. (HONS), ELECT, 20, 14.08.87, 43, PRAKASH PIPES & INDUSTRIES LTD.

NOTES :

- In all cases, employment is contractual.
- Remuneration includes salary, bonus, commission, medical expenses, leave travel concession, Company's contribution to provident fund, superannuation and gratuity fund, rent paid in providing residential accommodation and where it is not possible to ascertain the actual expenses incurred by the Company in providing perquisites, the monetary value of such perquisites calculated in accordance with the Income Tax Act, 1961, and Rules made thereunder.
- No employee is related to any director of the Company, except Mr. Arjun Thapar who is related to Mr. M M Thapar.



AUDITORS REPORT

To the Members of JCT Electronics Ltd.,

We have audited the attached balance sheet of JCT Electronics Limited as at March 31, 1999 and the annexed profit & loss account of the company for the period of twelve months ending on that date together with the schedules referred to therein and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. 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 the books.
3. The company's balance sheet and profit & loss account dealt with in this report are in agreement with the books of account.
4. In our opinion the profit & loss account and the balance sheet dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956 except for non provision of interest on debentures as per note 8 in the notes to the accounts.
5. In our opinion there appears to be a delay in fixing the date of commencement of commercial production at the Vadodara plant, the extent of which is not determinable by us. The managements explanation, which has been relied upon by us, for fixing 30th March, 1999 as the date of commencement of commercial production and capitalising the expenditure during construction upto that date is contained under the heading "Capitalisation of Vadodara plant" in the Director's Report attached to the balance sheet.
6. Subject to note 8 in notes to the accounts regarding non-provision of interest on Debentures and para 5 above regarding delay in fixing the date of commencement of commercial production of Vadodara plant, in our opinion and to the best of our information and according to the explanations given to us, the accounts read with significant accounting policies and the remaining notes to the accounts in Schedule W give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - (a) In the case of the balance sheet of the state of affairs of the company as at March 31, 1999; and
 - (b) In the case of the profit and loss account of the company of the loss for the year ending on that date.

7. We further report, pursuant to sub-clause A of clause 4 of the Manufacturing and Other Companies (Auditors Report) Order, 1988 that :

- A
 - (i) Proper records showing full particulars including quantitative details and situation of fixed assets are maintained except that at Vadodara, where capitalisation took place at the end of the year, the fixed assets register, as per past practice followed by the company, will be prepared next year. According to the information given to us, certain fixed assets have been physically verified by the management during the year in accordance with a programme of verification to cover all fixed assets over a period of three years. We were informed that no serious discrepancies were noticed on such verification.
 - (ii) The fixed assets of the company have not been revalued during the year.
 - (iii) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores and spare parts and raw materials.
 - (iv) Procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (v) No material discrepancies have been noticed on physical verification of stocks as compared to book records.
 - (vi) On the basis of our examination of stock records, we are satisfied that the valuation of stocks is fair and proper and in accordance with normally accepted accounting principles. The basis of valuation of stocks is the same as in the preceding year.
 - (vii) The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 or from companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
 - (viii) The company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to companies under the same management



JCT ELECTRONICS LIMITED

- as defined under section 370(1B) of the Companies Act, 1956.
- (ix) The parties including employees to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated whenever these fall due for repayment, with interest wherever applicable.
- (x) There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- (xi) There were no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.
- (xii) As explained to us the company follows the system of determining the value of unserviceable or damaged stores, raw materials or finished goods and making a provision for the loss in its accounts.
- (xiii) The company has accepted deposits from the public during the year and in our opinion and in accordance with the information and explanations given to us, the company has complied with the provisions of section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.
- (xiv) The company is maintaining reasonable records for the sale and disposal of scrap. There are no by-products.
- (xv) The company has an internal audit system commensurate with the size and nature of its business.
- (xvi) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of The Companies Act, 1956.
- (xvii) The company is generally regular in depositing provident fund and employees state insurance dues with the appropriate authorities.
- (xviii) There are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty outstanding for a period of more than six months as at 31st March, 1999 from the date they became payable.
- (xix) According to the information and explanations given and the records of the company examined by us no personal expenses have been charged to the profit & loss account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xx) The company is not a sick industrial company within the meaning of clause (0) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.

For V. Sahai & Co.
Chartered Accountants

Place : New Delhi
Dated: August 25, 1999

Mahesh Sahai
Partner



JCT ELECTRONICS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule		As At 31.03.99 Rs.in Lacs	As At 31.03.98 Rs.in Lacs
I SOURCES OF FUNDS				
1. Shareholders funds:				
a) Equity Capital	A	3,453.55		3,453.55
b) Preference share application money received in advance		600.00		—
c) Reserves and surplus	B	4,918.00		6,685.33
2. Loan funds:			8,971.55	
a) Secured loans	C	41,107.54		30,249.38
b) Unsecured loans	D	3,151.61		3,359.39
c) Deferred credits	E	27.34		38.64
			44,286.49	
TOTAL			53,258.04	43,786.29
II APPLICATION OF FUNDS				
1. Fixed assets:	F			
a) Gross block		63,005.99		21,114.21
b) Less: Depreciation		9,463.17		8,664.45
c) Net block		53,542.82		12,449.76
d) Capital work in progress/Capital advances/Expenditure during construction		550.93		32,388.71
			54,093.75	44,838.47
2. Investments	G		331.91	75.91
3. i) Current assets, loans and advances:				
a) Inventories	H	5,002.54		6,661.61
b) Sundry debtors	I	3,552.36		6,578.99
c) Cash and bank balances	J	723.84		1,446.73
d) Loans and advances	K	2,959.89		3,078.58
		12,238.63		17,765.91
Less:				
ii) Current liabilities and provisions:				
a) Liabilities	L	13,796.46		18,827.35
b) Provisions	M	36.34		91.25
		13,832.80		18,918.60
Net Current Assets: (i-ii)			(1,594.17)	(1,152.69)
III MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	N		426.55	24.60
TOTAL			53,258.04	43,786.29
Significant Accounting Policies	V			
Notes to Balance Sheet	W			

As per our report of even date attached to the balance sheet

On behalf of the Board

for V. SAHAI & Co.
Chartered Accountants

ARJUN THAPAR
Managing Director

MAHESH SAHAI
Partner

Place : New Delhi
Dated : 25th August, 1999

GOPAL KRISHNAN
Company Secretary &
Chief Internal Auditor

S R JAIN
Vice President
Accounts & Finance Control

V. RAJARAMAN
Director