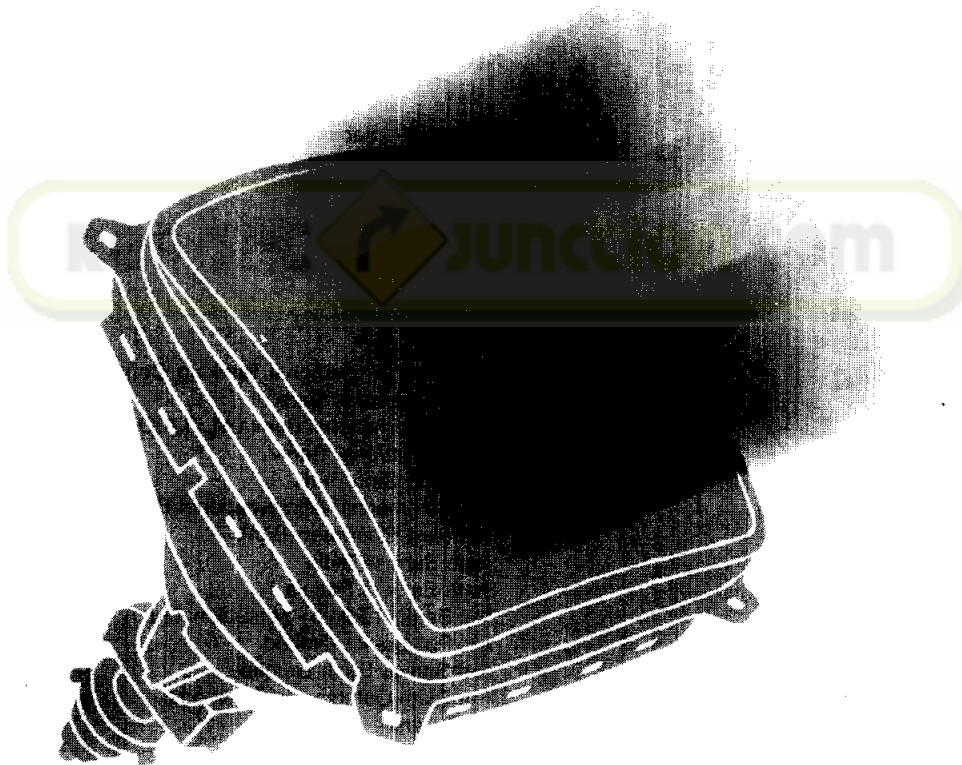




JUNCTION ELECTRONICS LIMITED



ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS

Mr. M.M. Thapar, *Chairman*
 Mr. Arjun Thapar, *Managing Director*
 Mr. K. Jayabharath Reddy
 Mr. V. Rajaraman
 Mr. P.K. Ganguly
 Mr. R.S. Mehra
 Mr. C.D. Ghosh, *Nominee IFCI*
 Mr. S. Ravi, *Nominee IDBI*
 Mr. J.N. Pandey, *Nominee Allahabad Bank*

CHIEF OPERATING OFFICER

Mr. Anil Nayar

COMPANY 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

Report



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DIRECTORS' REPORT

Your Directors present their Report together with audited accounts for the period ended 30th September, 2000.

Financial Results

| | Period Ended 30.09.2000 (18 Months) | Year Ended 31.03.1999 (12 Months) |
|---|--|--|
| | (Rupees in lacs) | |
| Gross Sales including other income | 58993 | 20245 |
| Gross Profit before interest and depreciation | 1178 | 715 |
| Less : Depreciation | — | 861 |
| Interest | 7823 | 1621 |
| Miscellaneous Exp. W/off | 120 | — |
| Net Profit/(Loss) before tax | (6765) | (1767) |
| Provision for tax | — | — |
| Net Profit/(Loss) after tax | (6765) | (1767) |
| Surplus from earlier years brought forward | 1729 | 3496 |
| Transfer from General Reserve | 608 | — |
| Profit/(Loss) carried over to Balance Sheet | (4428) | 1729 |

Operations

The CPT market has seen substantial high growth in the previous years. In the current year the markets have seen only marginal increases. This is expected to once again see continues high growth in the coming years. The margins have however been under pressure on account of competition both in the domestic and international markets. Despite the stable market, production volumes were lower during the period on account of non availability of working capital. The resultant non utilisation of production capacities have resulted in losses during this period. The Mohali unit of the company produced 1139006 nos. of CPTs and sales from the unit were 1134212 nos. during the period under review. The production and sales during the period from the Vadodara unit were 615852 nos. and 615249 nos. respectively.

The operating profit for the period under review was Rs.1178 lacs. After providing for interest and deferred revenue expenditure and considering the surplus from earlier years and transfer from General Reserves there is a net loss of Rs. 4428 lacs.

In view of the financial restructuring exercise being undertaken, Directors have decided not to provide for depreciation during the accounting period. However, the uncovered depreciation would be made good in the coming years.

No dividend is recommended in view of losses during this period.

Business Prospects/Outlook

The domestic Colour TV (CTV) market is expected to continue to show strong growth in the years to come. The market holds good growth potential with the advent and growth of diverse viewing software and channels and aggressive pricing strategies of the CTV manufacturers and financing options. Your Directors are confident of increased volumes as it offers its customers a wide variety of tubes and is a preferred supplier. The company has established itself as a leading player with supplies to all reputed CTV manufacturers. Your company has initiated various steps for increasing production volumes, improving operating efficiencies and bringing down costs to improve profitability in the years to come.

Finances

Your Company had initiated a major financial re-structuring exercise in order to improve its operations and to reduce interest costs. Your Directors are happy to report that approvals from the Financial Institutions/Lead Bank has since been received. Approvals from other banks are expected shortly. The financial restructuring exercised entails reduction in the rate of interest, deferment of repayments over a longer period of time and conversion of part of overdue interest into equity shares, preference shares and optionally fully convertible debentures.

As per the restructuring package, fresh infusion of funds by the promoters & associates/strategic investors is also taking place and your Directors are confident that the operations would again be taken up to optimum level. The capital infusion by the promoter and associate including issue of securities to financial instalations/banks would also help in improving the network.

Fixed Deposits

As on 30th September, 2000, ten deposits amounting to Rs.1.28 lacs were unclaimed, which still have not been claimed.



Y2K Compliance

Your company had taken adequate steps to ensure that all relevant processes, plant and equipment and computerised systems were Y2K compliant. Transition to the year 2000 was smooth without any disruption.

HRD and Industrial Relations

Human resource development activities continued at all the levels as per the policy of the company. The major thrust was on attitudinal change and training employees to face the challenges of competition and globalisation by continuously improving productivity and performance levels.

Industrial Relations climate remained cordial at both the manufacturing units.

Your Directors commend the commitment and hard work put in by all employees.

Directors

IFCI Limited (IFCI) have nominated Mr. C D Ghosh on the Board of the company with effect from 28th July, 2000 in place of Mr. S C Kumar.

Your Directors place on record their appreciation of the contributions rendered by Mr. S C Kumar during his association with the company.

Allahabad Bank, the lead bank of the working capital consortium have nominated Mr. J.N. Pandey as their nominee on the Board of the company with effect from 25th January, 2000.

Your company has strengthened its Board by co-opting Mr. K Jayabharath Reddy and Mr. P K Ganguly as Additional Directors on 27th April, 2000 and 28th July, 2000 respectively. Mr. Reddy, IAS has held important positions with the State and Union Governments. Mr. Ganguly is an Advocate and Solicitor and has been associated with JB Dadachanji & Co. for over 15 years.

Both Mr Reddy and Mr. Ganguly hold office till the forthcoming Annual General Meeting. Their candidature for the office of Director of the company is being placed before the members at the forthcoming Annual General Meeting.

Mr. M M Thapar, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself 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
19th February, 2001

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 period ended 30th September, 2000.

A. CONSERVATION OF ENERGY

To save energy, following steps have been taken.

1. By implementing the Environment Management System, we have taken many project to reduce the consumption of water in the plant and also we are able to reduce water consumption by recycling of water.
2. LPG consumption in the furnaces has been reduced by plugging the heat losses and fine tuning the combustion system.
3. Internal Audit conducted to plug leakages of Air, Water & LPG, thus saving Power and Fuel.
4. Modification of main plant machines to remove excess motors on idle positions and by clubbing two areas.

- 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. 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

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 the period - Rs. 12,203.58 lacs

Foreign exchange earning during the period - Rs. 2,123.88 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 PERIOD ENDED 30TH SEPTEMBER, 2000.

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

GURTA SUSHIL, GENERAL MANAGER (COMMERCIAL), 1,265,486, B.E.(MECH.)HONS.MBA,LFII, 19, 02.03.87, 44, STEEL STRIPS LTD.
JAIN S R, VICE PRESIDENT (ACCOUNTS & FINANCE CONTROL), 2,177,945, B.Com., LLB, FCA, 31, 01.09.88, 54, ON SECONDMENT FROM JCT LTD.
JHURANEY J C, VICE PRESIDENT (PERSONNEL & HRD), 2,186,428, M.A.(ECO), PGDPM, 29, 02.12.92, 51, SAMTEL INDIA LTD.
KAPUR RAJ, VICE PRESIDENT (MARKETING), 2,220,628, B.A.(Hons.), DBM, 26, 01.08.87, 48, STERLING STEEL & WIRES LTD.
KRISHNAN GOPAL, COMPANY SECRETARY & CHIEF INTERNAL AUDITOR, 1,231,554, M.Com., FCS, 22, 01.10.87, 46, JCT FIBRES LTD.
NARANG MPS, GENERAL MANAGER (ACCOUNTS), 1,375,474, B.COM, FCA, 22, 11.08.86, 45, INDO ASIAN SWITCHGEARS LTD.
NAYAR ANIL, CHIEF OPERATING OFFICER, 3,661,934, B. Tech. (IIT-Kanpur), FGDM(IIM-Ahmedabad), 25, 01.05.92, 50, ON SECONDMENT FROM JCT LTD.
PANDIT K K, GENERAL MANAGER (TECHNICAL OPERATIONS), 1,124,003, B.Sc.ENG. (ELECTRONICS & COMMUNICATION), 20, 10.05.86, 42, PFIZER LTD.
PATANKAR P N, VICE PRESIDENT (WORKS), 2,967,317, M.SC. (ENGG), B.E. (MECH), D.B.M., 29, 16.01.96, 53, SAMTEL INDIA LTD.
ROY AMIT, GENERAL MANAGER (FINANCE), 1,329,238, B.Sc., ACA, 25, 01.04.90, 50, JCT FIBRES LTD.
SHARMA R L DY, GENERAL MANAGER (ADMN. & LEGAL), 9,85,224, B.A., LLB, CERTIFICATE OF Trg. IN PM, 40, 03.11.92, 62, ON SECONDMENT FROM JCT LTD.
SHARMAN SHASHI, VICE PRESIDENT (COMMERCIAL), 2,173,371, B.Sc., MBA, 26, 01.07.85, 54, ON SECONDMENT FROM JCT LTD.
SUBRAMANIAM K V, VICE PRESIDENT (PROJECTS), 2,234,249, B.Sc., B.Tech., 32, 19.08.94, 56, HOTLINE GLASS LIMITED
THAPAR ARJUN, MANAGING DIRECTOR, 1,722,541, GRADUATE IN TEXTILE MGMT & MKTG (PHILADALPHIA-USA), 15, 19.08.85, 38

EMPLOYED FOR PART OF THE YEAR

KRISHNAN A G, DGM (QUALITY ASSURANCE & CUSTOMER SERVICES), 1,288,998, B.E. (ELECTRONICS), 23, 01.12.78, 45, PUNJAB RECORDERS LTD.
MEHTA V K, GENERAL MANAGER (TECHNICAL OPERATIONS), 421,060, B.E.(HONS).CHEMICAL ENGG.,DIPLOMA IN PROJECT MANAGEMENT, 26, 15.09.87, 48, P.N.F.C. LTD.,
SACHDEV KESHAV, VICE PRESIDENT (WORKS), 1,469,218, B.SC (ENGG. MECH.,HONS), PG DIPLOMA IN HP, 34, 27.04.92, 56, ICI INDIA LTD.

NOTES:

i) In all cases, employment is contractual.

ii) 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.

iii) 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 September 30, 2000 and the annexed profit & loss account of the company for the period of eighteen 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 depreciation as per Accounting Standard 6 stated in para 8 of the notes to the accounts.
5. Subject to note 7(f) on non-approval of waiver of interest, note 8 on non-provision of depreciation and note 12 on technical upgradation as per management's assessment, 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 September 30, 2000; and
 - (b) In the case of the profit and loss account of the company of the loss for the period of 18 months ending on that date.
6. 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 last year, the fixed assets register is under preparation. According to the information given to us, certain fixed assets have been physically verified by the management during the year at Mohali in accordance with a programme of verification to cover all fixed assets over a period of three years. We were informed that no major 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 except for changes made as per note 9 of the notes to accounts to comply with Accounting Standard- 2 on valuation of inventories.
 - (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 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.



JCT ELECTRONICS LIMITED

- (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 and 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 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 30th September, 2000 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 (i) 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 : 19th February, 2001

Mahesh Sahai
Partner

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BALANCE SHEET AS AT 30TH SEPTEMBER, 2000

| | Schedule | | As At 30.09.2000 Rs.in Lacs | As At 31.03.1999 Rs.in Lacs |
|---|----------|-----------|-----------------------------------|-----------------------------------|
| I SOURCES OF FUNDS | | | | |
| 1. Shareholders funds: | | | | |
| a) Equity Capital | A | 3,453.55 | | 3,453.55 |
| b) Share application money received in advance | | 2,600.00 | | 600.00 |
| c) Reserves and surplus | B | 2,581.29 | 8,634.84 | 4,918.00 |
| 2. Loan funds: | | | | |
| a) Secured loans | C | 44,146.59 | | 42,670.23 |
| b) Unsecured loans | D | 3,063.69 | | 1,588.92 |
| c) Deferred credits | E | 7.41 | 47,217.69 | 27.34 |
| TOTAL | | | 55,852.53 | 53,258.04 |
| II APPLICATION OF FUNDS | | | | |
| 1. Fixed assets: | F | | | |
| a) Gross block | | 68,477.33 | | 63,005.99 |
| b) Less: Depreciation | | 9,439.94 | | 9,463.17 |
| c) Net block | | 59,037.39 | | 53,542.82 |
| d) Capital work in progress/Capital advances/ Expenditure during construction | | 503.61 | 59,541.00 | 550.93 |
| | | | | 54,093.75 |
| 2. Investments | G | | 403.82 | 331.91 |
| 3. i) Current assets, loans and advances: | | | | |
| a) Inventories | H | 4,153.57 | | 5,002.54 |
| b) Sundry debtors | I | 4,006.63 | | 3,552.36 |
| c) Cash and bank balances | J | 1,670.24 | | 723.84 |
| d) Loans and advances | K | 2,376.97 | | 2,959.89 |
| | | 12,207.41 | | 12,238.63 |
| Less: | | | | |
| ii) Current liabilities and provisions: | | | | |
| a) Liabilities | L | 21,070.98 | | 13,796.46 |
| b) Provisions | M | 67.73 | | 36.34 |
| | | 21,138.71 | | 13,832.80 |
| Net Current Assets: (i-ii) | | | (8,931.30) | (1,594.17) |
| III MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) | N | | 410.91 | 426.55 |
| IV PROFIT & LOSS ACCOUNT | | | 4,428.10 | — |
| TOTAL | | | 55,852.53 | 53,258.04 |
| Significant Accounting Policies | V | | | |
| Notes to Balance Sheet | W | | | |

As per our report of even date
attached to the balance sheetfor V. SAHAI & Co.
Chartered AccountantsMAHESH SAHAI
PartnerPlace : New Delhi
Dated : 19th February, 2001GOPAL KRISHNAN
Company Secretary &
Chief Internal AuditorS R JAIN
Vice President
Accounts & Finance Control

On behalf of the Board

ARJUN THAPAR
Managing DirectorP. K. GANGULY
Director