

# ANNUAL REPORT 2003 - 04

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**JCT ELECTRONICS LIMITED**

**BOARD OF DIRECTORS**

Mr. M.M. Thapar, *Chairman*  
 Mr. Arjun Thapar, *Managing Director*  
 Mr. V. Rajaraman  
 Mr. K. Jayabharath Reddy  
 Mr. P.K. Ganguly  
 Mr. S. Ananthakrishnan, *Nominee IDBI*  
 Mr. J.N. Pandey, *Nominee Allahabad Bank*

**CHIEF OPERATING OFFICER**

Mr. Raj Kapur

**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

**BANKERS**

Allahabad 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.  
 Mizuho Corp. Bank Ltd.  
 The UFJ Bank Limited  
 The Siam Commercial Bank p.l.c.  
 UCO Bank

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## NOTICE

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the Members of JCT ELECTRONICS LIMITED will be held at Dara Studio, Phase-VI, S.A.S. Nagar, Mohali – 160 055, Punjab on Thursday the 30<sup>th</sup> day of September, 2004 at 12.30 p.m. to transact the following business:

### Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2004, the Profit & Loss Account for the financial year ended on that date and the Reports of the Auditors and Directors' thereon.
2. To appoint a Director in place of Mr V Rajaraman, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr K Jayabharath Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s V. Sahai & Co., Chartered Accountants as the Statutory Auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and authorise the Board of Directors to fix their remuneration.

### Special Business :

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as ordinary resolution.  
"RESOLVED that in supersession of the ordinary resolution passed by the Company at the 23<sup>rd</sup> Annual General Meeting held on 30<sup>th</sup> September, 1999 and pursuant to provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the consent of the company be and is hereby accorded to the Board of Directors of the Company for borrowing monies from time to time for the business and purpose of the Company notwithstanding that the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid-up capital of the company and its free reserves that is to say reserves not set apart for any specific purpose, provided however that the aggregate amount of monies which may be borrowed shall not at any time exceed Rs.1000 crores (Rupees one thousand crores)."

By order of the Board  
for JCT ELECTRONICS LIMITED

Gopal Krishnan  
Company Secretary &  
Chief Internal Auditor

Place : New Delhi  
Dated : 23<sup>rd</sup> August, 2004



## NOTES

- a) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company.**

**Proxies in order to be effective must be received by the company at its registered office not less than 48 hours before the meeting.**

- b) The Register of Members and Transfer books of the company will remain closed from Thursday the 23<sup>rd</sup> September, 2004 to Thursday the 30<sup>th</sup> September, 2004 (both days inclusive).
- c) Dividend for the financial year ended 31<sup>st</sup> March, 1997, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government in November, 2004 pursuant to the provisions of Section 205A/205C of the Companies Act, 1956.

Members who have not encashed their dividend warrant(s) for the said period are requested to seek issue of duplicate warrant(s) by writing to the company.

- d) Members can send the shares for transfer in physical form and all other queries to the company's office at :  
Thapar House, 124 Janpath, New Delhi – 110 001
- e) Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 is annexed hereto.
- f) Particulars of Directors who retire by rotation and are seeking re-appointment at the ensuing annual general meeting fixed on 30<sup>th</sup> September, 2004 are given hereunder :

**Mr. V Rajaraman**

Mr. Rajaraman aged 71 years has been a director of the company since 19<sup>th</sup> August, 1985. He is a Chartered Accountant by profession and is the senior partner of M/s Thakur Vaidyanath Aiyer & Co., Chartered Accountants, New Delhi. He has been the past president of the Institute of Chartered Accountants of India and an active member of the PHD Chamber of Commerce & Industry.

**Mr. K Jayabharath Reddy**

Mr. Reddy aged 67 years was appointed as a director of the company on 27<sup>th</sup> March, 2001. He is an IAS of the Andhra Cadre and has rich working experience in many areas. He has held important positions in the State and Union Governments including that of Chief Secretary, Govt. of Andhra Pradesh and Secretary to the Union Government, in the Ministries of Finance and Urban Development. He is on the Board/Committees of BPL Display Devices Ltd., BPL Ltd., BPL Mobile Comm. Ltd., Bhoruka Power Corpn. Ltd., NCL Industries Ltd., NCL Energy Ltd., Lanco Kondapally Power Pvt. Ltd., Indus Medicare Ltd., Alltek Coated Products Ltd. & ITC Hotels Ltd.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item 5

For meeting its long term working capital requirements and in view of the restructuring exercise being undertaken, it is desired that the borrowing powers of the board be enhanced to Rs.1000 crores. Under Section 293(1)(d) of the Companies Act, 1956 approval of members is required and accordingly, item no. 5 is recommended for approval of the members.

No Director of the company is concerned or interested in the resolution given at item no.'5'.



## DIRECTORS' REPORT

Your directors present their report together with audited accounts for the year ended 31<sup>st</sup> March, 2004.

### Financial Results

	Year Ended 31.03.2004	Year Ended 31.03.2003
	(Rupees in lacs)	
Gross Sales including other income	35580	41638
Gross Profit before interest and depreciation	364	2443
Interest	11414	8493
Expenses relating to prior period	57	—
Depreciation & miscellaneous expenses written off	4148	4142
Provision for tax	—	—
Net Loss after tax	15255	10192
Loss brought forward from earlier years	32397	22205
Loss carried over to Balance Sheet	47652	32397

### Operations

The Colour Picture Tube (CPT) industry witnessed a positive growth during the year. The margins have been under pressure on account of sharp decline in net sales realisations due to drop in international prices, reduction in customs duties and aggressive pricing by the Colour TV industry.

The production during the year was 14,13,173 nos. as against 14,67,938 nos. recorded in the previous year. The marginal drop in production was due to disruption on account of transporter's strike in April, 2003. Sales volumes during the year were 14,27,222 nos. out of which exports were 2,55,584 nos. We are pleased to inform that the Vadodara unit has been awarded the ISO 9001 - 2000 certification. With international prices being more in line with the domestic realisations, your company has focused on increasing exports volumes. With the sanction of GSP, your company is now eligible for exports to the European Union.

In view of the accumulated losses, no dividend is recommended.

The revised financial restructuring proposal submitted by the company to the financial institutions and banks has been referred to the corporate debt restructuring forum for speedy clearance. The proposal should benefit your company through reduced interest costs and rescheduling repayments based on cash flows.

### Business Outlook

The domestic CPT industry has grown to a size of about 9 million units during the year and is expected to remain buoyant in the coming years. The colour television remains the most preferred among all consumer durables. The Industry has also benefited from the growth in demand from international markets, for the small and mid sized tubes, as production of these have been discontinued in many countries.

Continuous efforts at improving product quality towards world standards are on to benefit from the rise in demand from international markets. Steps have also been initiated for increasing production volumes and operating efficiencies. Reduction in raw material cost continuous to be a thrust area for improving contributions.

### Fixed Deposits

The company had stopped accepting deposits since September, 2000. As on 31<sup>st</sup> March, 2004, four deposits amounting to Rs.83,000 remained unclaimed.

### Human Resources

Your company believes that the human resources are its greatest strength and policies are aimed at development of their skills to improve productivity and performance levels.

Operations at the Mohali unit continue to remain suspended on account of lockout and the company is confident of resolving all issues amicably at the earliest. Industrial relations remained cordial at the Vadodara unit.



## Directors

IFCI Limited (IFCI) has withdrawn Dr. S S Jha, General Manager, IFCI as its nominee from the Board of the company with effect from 8<sup>th</sup> June, 2004. Your Directors place on record their appreciation for the contributions made by Dr. Jha during his association with the company.

Mr V Rajaraman and Mr K Jayabharath Reddy, directors retire by rotation at the forthcoming annual general meeting and being eligible offer themselves for re-appointment.

## Directors' Responsibility Statement

On the basis of compliance confirmation from the company and subject to disclosures in the annual accounts, as also on the basis of discussion with the Statutory Auditors from time to time, your directors report:

- that in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2004, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- that the directors had 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 for the financial year ended 31<sup>st</sup> March, 2004 and of the profit/loss of the company for this period.
- that proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities has been taken.
- that the annual accounts have been prepared on a going concern basis.

## Corporate Governance

The company has complied with the conditions of corporate governance. A separate report on corporate governance is enclosed as part of this annual report alongwith a certificate from the Auditors of the company regarding compliance of corporate governance as stipulated under Clause 49 of the listing agreement.

## Other Information

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo and forming part of this report is annexed. The information required to be provided in terms of the provisions of Section 217(2A) of the Companies Act, 1956 and rules framed thereunder is 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. They have expressed their willingness to continue, if re-appointed.

The non provision of certain items like depreciation for previous period, premium on redemption of debentures, salary, wages & dues pertaining to Mohali unit and royalty as mentioned by the Auditors in their report have been explained in the notes to the accounts and have been addressed in the revised restructuring proposal which is under consideration of the corporate debt restructuring forum.

## Acknowledgement

The Board acknowledges the valuable support of the government agencies, financial institutions, banks, collaborators, customers, suppliers, shareholders and employees and looks forward to their continued support.

On behalf of the Board,

Place: New Delhi  
Dated: 23<sup>rd</sup> August, 2004

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.

### A. Conservation of energy

Energy conservation measures taken:

- i) By effective electrical load management the contract demand has been reduced.
- ii) Overall plant power factor has been improved.
- iii) Improvement achieved in efficiency of air compressors.
- iv) Consumption of water in various areas has been reduced by continuous improvement in the process.

- ii) Benefits derived as a result of above activities. Cost reduction through improvement in design, import substitution of various components and usage & quality Improvements.

#### iii) Future plan of action

To continue R&D work in above areas.

#### iv) Expenditure on R&D

No significant expenditure was involved as the up-gradation and improvements were carried out in house.

#### Technology absorption

The technology for the manufacture of 21", 20" & 14" Colour Picture Tubes, Deflection Yokes and Electron Guns have been absorbed.

### B. Research & development and technology absorption

Research & development

- i) R&D is being carried out in the areas of import substitution, development of alternative raw materials, technology upgradation, process development, quality improvement and energy conservation.

### C. Foreign exchange earnings and outgo

Foreign exchange outgo during the year	- Rs. 5333.72 lacs
Foreign exchange earnings during the year	- Rs. 4134.00 lacs

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975.

Name; Designation; Qualification; Age; Remuneration (Rs.); Experience (Yrs.); Date of employment; Last employment  
Raj Kapur; Chief Operating Officer; Degree in Business Mgmt. (BHU); Dip. in Intl. Trade; 51; 25,16,015; 30; 1/8/87; Sterling Steels & Wires Ltd.

Note:

Remuneration includes salary, allowances, medical reimbursement, LTA, Company's contribution to provident fund, gratuity and superannuation funds, rent paid, leave encashment, etc.

Above employee is not related to any director of the company.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market scenario**

The television tube industry continues to witness positive growth and is expected to cross the milestone of 10 million tubes this year. With improvement in the level of disposable incomes, easy availability of cheap finances and competitive pricing by the TV manufacturers, there has been a spur in growth. While the high end Colour TV sets contributed to the growth in the urban markets, the availability of low priced mass end Colour TV sets contributed to the growth and migration from the B&W TV sets in the semi urban and rural markets.

The growth in the Colour TV industry has led to the picture tube industry also recording a growth of over 14%. The industry has also benefited from the growth in demand from markets in Europe and Asia for the small and mid sized tubes which constitutes a sizable portion of the world demand. This has led to the CPT manufacturers consolidating their capacities to meet the increasing demand. We are confident that the growth potential will remain positive and show improvements in the coming years. The demand for Pure Flat CPTs is growing and the company is actively exploring possibilities of taking up the production of Pure Flat tubes at the earliest.

Reduction in the import duties, removal of trade barriers & restrictions, imports through the FTA route from Thailand continue to pose threats to the already low margins that the industry has witnessed. The industry is gearing up to meet the lower margins through increased volumes to address their bottom line. Efforts are on to improve productivity and reduce input costs to maintain the earning levels. With the opening up of the economy, competition from world class manufacturers has become a reality making us take effective steps to improve the product quality.

### **Company's performance**

Sales during the year ended March 2004 was 14,27,222 nos. as against 14,32,871 nos. during the previous year. Production at the Vadodara unit has been ramped up and efforts are on to increase the same further. Though the Mohali unit remains shut, the company is confident of resolving all issues and restarting the operations soon.

The company has plans to broaden its customer base both in the domestic and international markets. With the demand picking up from markets in Europe and Asia, exports were revived and the company is confident of regaining its foothold in these markets. The company has put in efforts towards instilling a level of competency in its work force to meet the stringent world standards. Adequate training is imparted for continuous improvement as human resource needs to be more dynamic and result oriented in the today's business environment.

In order to remain competitive in the industry, which has witnessed falling margins, the company has submitted a revised restructuring proposal which is under consideration of the corporate debt restructuring forum. The management is hopeful of a favorable response.





## CORPORATE GOVERNANCE REPORT

### I. Company's philosophy on Corporate Governance :

JCT Electronics Limited (JCTEL) believes that good corporate governance is essential to achieve long term corporate goals and to enhance stakeholders' value. Company's business objective is to create value for all its stakeholders including shareholders, employees, customers, lenders and the government. JCTEL endeavors to ensure that highest standards of ethical conduct are met throughout the organisation.

### II. Board of Directors

The Board of Directors comprises of eminent persons and is presently constituted of seven members with two nominee directors and four non executive directors which includes three independent directors. The Managing Director manages the day-to-day affairs of the company.

The Board met four times during the year on 30<sup>th</sup> April, 2003, 30<sup>th</sup> July, 2003, 14<sup>th</sup> October, 2003 and 30<sup>th</sup> January, 2004.

Details of meetings attended and other directorships held are as under :

Name of Director	Category of Director	No. of Board Meetings attended	No. of other Directorships held	No. of other Board Committee(s) of which he is a	
				Member	Chairman
Mr. M M Thapar, <i>Chairman</i>	Promoter – Non Executive	Two	Four	One	None
Mr. Arjun Thapar, <i>Managing Director</i>	Promoter – Executive	Four	Two	None	None
Mr. V Rajaraman	Independent – Non Executive	Three	One	None	None
Mr. K Jayabharath Reddy	Independent – Non Executive	Three	Ten	Three	Three
Mr. P K Ganguly	Independent – Non Executive	Four	Four	None	None
Mr. S Ananthakrishnan	Nominee – IDBI	Three	None	None	None
Mr. J N Pandey	Nominee – Allahabad Bank	One	One	None	None
Dr. S S Jha	Nominee – IFCI	Two	One	None	None

\* Dr. Jha was withdrawn as nominee from the Board w.e.f. 8<sup>th</sup> June, 2004.

The last AGM held on 30<sup>th</sup> September, 2003, was attended by Mr. V Rajaraman and Mr P K Ganguly.

### III. Audit Committee

The Audit Committee presently comprises of two independent non-executive directors with Mr. V Rajaraman and Mr. P. K. Ganguly are its members. Dr. S S Jha (Nominee IFCI) was also member of the committee and has since been withdrawn.

Mr. V Rajaraman is the chairman of the committee.



The committee met four times on 30<sup>th</sup> April, 2003, 30<sup>th</sup> July, 2003, 14<sup>th</sup> October, 2003 and 30<sup>th</sup> January, 2004. Details of meetings attended are as under :

Mr. V Rajaraman	—	(Three Meetings)
Mr. P K Ganguly	—	(Four Meetings)
Dr. S S Jha	—	(Two Meetings)

The Internal Auditors, Statutory Auditors, Chief Operating Officer and the Company Secretary who is also the Chief Internal Auditor also attended the committee meetings to answer and clarify queries raised. Representatives from various departments of the company are invited as and when need arises.

The role and terms of reference of the committee covers all matters specified under Clause 49 of listing agreement as well as Section 292A of the Companies Act, 1956.

#### IV. Remuneration Committee

The Remuneration Committee presently comprises of two independent non executive directors with Mr. K. Jayabharath Reddy and Mr. V. Rajaraman as its members. Prior to withdrawal of nominee by IFCL, Dr. S. S. Jha was also member of the committee.

Mr. K. Jayabharath Reddy is the chairman of the committee.

The committee was constituted to fix the remuneration payable to the Managing Director in view of the stipulations as contained in Schedule XIII to Companies Act, 1956.

#### V. Shareholders Committee

The company has constituted a Shareholder's Committee with Mr. Ajun Thapar – Managing Director and three non executive directors viz. Mr. M. M. Thapar, Mr. V. Rajaraman and Mr. P. K. Ganguly as its members.

The committee meets to approve inter-alia transfer/transmission of shares, issue of duplicate share certificates and review the status of the shares dematted/rematted and investor's grievance and redressal mechanism and recommend measures for improvement of investors' services. Details of shares transferred/transmitted and duplicate share certificates issued with the approval of the committee are placed before the Board from time to time.

During the year ended 31<sup>st</sup> March, 2004 there were no complaints/queries pending for reply. Further there were no share transfers pending for registration for more than 30 days.

Mr. Gopal Krishnan, Company Secretary has been designated as the Compliance Officer.

#### VI. Details of sitting fees, remuneration paid.

Name of Director	Sitting Fees paid during 2003-04 for meetings of the Board & Committee	Remuneration paid during 2003-04
Mr. M. M. Thapar	Rs. 6,000	—
Mr. K. Jayabharath Reddy	Rs. 6,000	—
Mr. V. Rajaraman	Rs. 24,000	—
Mr. P. K. Ganguly	Rs. 26,000	—
Mr. S. Ananthakrishnan	Rs. 6,000	—
Mr. J. N. Pandey	Rs. 2,000	—
Dr. S. S. Jha	Rs. 8,000	—
Mr. Arjun Thapar	—	Rs. 829,077

No Commission was paid to any Director.