

ANNUAL REPORT

2004 – 05

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JCT ELECTRONICS LIMITED

**BOARD OF DIRECTORS**

Mr. M.M.Thapar, *Chairman*
 Mr. Arjun Thapar, *Managing Director*
 Mr. K. Jayabharath Reddy
 Mr. P.K. Ganguly
 Mr. S. Ananthakrishnan, *Nominee IDBI*
 Mr. L.N. Mishra, *Nominee IFCI*
 Mr. P.K. Anand, *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 - 110001

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 28th Annual General Meeting of the Members of JCT ELECTRONICS LIMITED will be held at its registered office at A-32, Industrial Phase VIII, S.A.S. Nagar, Mohali - 160 055, Punjab on Friday the 30th day of September, 2005 at 3.00 p.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005, 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 M.M. Thapar, who retires by rotation and being eligible offers himself for re-appointment.
3. 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.

By order of the Board
for JCT ELECTRONICS LIMITED

Place : New Delhi
Dated : 27th August, 2005

Gopal Krishnan
Company Secretary &
Chief Internal Auditor

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 Friday the 23rd September, 2005 to Friday the 30th September, 2005 (both days inclusive).
- c) 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
- d) Particulars of Mr. M.M. Thapar, Director who retires by rotation and is seeking re-appointment at the 28th annual general meeting on 30th September, 2005 is given hereunder :

Mr. Thapar, Industrialist aged 72 years has been a director and non executive chairman of the company since 1987. He holds a Degree in Engineering from the University of Pennsylvania, USA and has over 52 years of experience. He is on the Board of several Thapar Group Companies and is also the Chairman and Managing Director of JCT Limited.



DIRECTORS' REPORT

Your directors present their report together with audited accounts for the year ended 31st March, 2005

Financial Results

	Year ended 31.03.2005	Year ended 31.03.2004
	(Rupees in lacs)	
Gross Sales including other income	35669	35580
Profit before interest and depreciation	231	364
Interest	12379	11414
Expenses relating to earlier period	68	57
Depreciation & Amortisation	4185	4148
Provision for tax	—	—
Net Loss for the year	16401	15255

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

Operations

The Colour Picture Tube (CPT) industry witnessed a positive growth during the year. The production for the year ended 31st March, 2005 was higher at 1.62 million CPTs as against 1.41 million CPTs in the previous year. Sales at 1.58 million CPTs was also higher than 1.43 million CPTs the year before. With emphasis on increasing export volumes, your company tied up with major manufacturers abroad. During the year, your company also revived production of 14" CPTs to broaden its product range.

However, with increased competition and aggressive pricing by the CTV industry, the margins were lower.

Outlook & Plans

The domestic CPT industry has grown to a size of over 10 million units during the year and is expected to remain buoyant. With continuous fall in realisations, efforts at improving productivity and reducing costs/overheads are on to sustain contributions. Your company has commenced work on a new line for 14" CPTs which is expected to be commissioned by the last quarter of this calendar year. With the increasing demand for pure flat tubes, capability for producing 21" pure flat tubes is also being put in place at Vadodara and would be launched in early 2006.

Finances

The banks & financial institutions have been approached to consider the debt restructuring proposal to make the company viable and bring the debt to sustainable level. The company has also requested for additional letter of credit limits, which should help in negotiating better terms with the suppliers.

Fixed Deposits

The company has stopped accepting deposits and as on 31st March, 2005, four deposits amounting to Rs.83,000 remained unclaimed.



Human Resources

Your company has laid emphasis on improving the skills of its human resources towards achieving performance, productivity and improving quality.

The lockout at the Mohali unit was lifted during the year after a negotiated settlement with the work force. Efforts are on to commence operations at the unit. Industrial relations remained cordial at the Vadodara unit. A fresh wage settlement with the workers of the unit was finalised during the year.

Directors

During the year Mr. V Rajaraman, resigned from the board on account of his pre-occupation and professional commitments. Mr. J N Pandey, Nominee Allahabad Bank ceased to be a director from 31st March, 2005 consequent to his retirement from the services of the Bank. Your Directors place on record their appreciation for the contributions made by Mr Rajaraman and Mr. Pandey during their association with the company. IFCI Limited (IFCI) have nominated Mr. L N Mishra, Chief General Manager, IFCI as their nominee on the Board with effect from 28th October, 2004. Allahabad Bank have nominated Mr. PK Anand on the Board from 25th August, 2005.

Mr M M Thapar, director retires by rotation at the forthcoming annual general meeting and being eligible offers himself 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 31st March, 2005, 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 31st March, 2005 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.

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.

The Corporate Governance Report is enclosed alongwith a certificate from the Auditors of the company regarding compliance as stipulated under Clause 49 of the listing agreement.

Your Company recognises its role in health and safety, as well as its responsibility towards environment and society. Safety and environment control continues to be on top priority and the company is continuously upgrading its capability to meet the required stringent conditions to maintain safeguards.

**Delisting of Equity Shares**

Approval from the Calcutta Stock Exchange has since been received for the voluntarily delisting of the company's equity shares. The equity shares had earlier been delisted from the stock exchanges at Delhi, Ahmedabad and Ludhiana.

Auditors

The Auditors, M/s V Sahai & Co., Chartered Accountants, hold office till the conclusion of the 28th annual general meeting and are eligible for appointment. They have expressed their willingness to continue, if 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 restructuring proposal under consideration of the lenders.

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,

New Delhi
25th August, 2005

Arjun Thapar
Managing Director

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ANNEXURE TO THE DIRECTORS' REPORT

Information under Section on 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:

- Effective electrical load management to reduce the contract demand.
- Improvement in overall plant power factor.
- Improving efficiency of air compressors and effective regulation of airconditioning.
- Recycling of process water to reduce consumption of water.
- Reduction in fuel consumption through insulation audit in various furnace areas.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Research & Development

i) Areas in which R&D carried out.

Efforts carried out in the areas of import substitution, development of alternative raw materials, technology upgradation, process development, quality improvement and energy conservation.

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 for achieving improvement in quality and for reducing costs.

iv) Expenditure on R&D.

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

b) Technology absorption

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange outgo during the year - Rs. 5625.68 Lacs

Foreign exchange earnings during the year - Rs. 8625.89 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, 52, 2904399/-, 31, 1/8/87, Sterling Steels & Wires Ltd.

*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 & prospects

The television tube industry witnessed positive growth during the year and crossed the 10 million mark. Improvement in income levels increased the purchasing power which coupled with availability of consumer finance at low interest rates and aggressive pricing of CTVs contributed to the positive growth. However, the realizations during the year have drastically come down on account of the aggressive and competitive pricing by the CTV manufacturers. While there was a steady growth in the small & medium sized CPTs, the pure flat segment witnessed a rapid growth.

The company has plans to offer products with high growth potential as also increase its presence in export markets to broaden the customer base. With capacities for mid-sized tubes closing down in Europe and South East Asia, India will be one of the sources along with China. To remain competitive and increase its presence in such markets, greater emphasis is being placed on productivity and operating efficiencies. 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.

In addition to its presence in the 20" & 21" conventional tube segment, the company during the year revived its capability of producing the 14" tubes to meet market requirements. To further broaden the product range, the company is setting up a dedicated line for manufacture of the 14" tubes as also gearing itself to introduce the 21" pure flat tubes. The company already has in place capabilities for inhouse production of electron guns and deflection yokes for its captive consumption. Capacity increase in these two areas is also been addressed to meet the additional requirements with the enhancement of capacity.

The FTA with Thailand has already come into effect and with more free trade agreements in the pipeline, the duties are expected to come down further putting pressure on the sales realizations to match the landed costs. The company is fully geared up to meet these challenges with cost reduction being the top priority in this direction. The company has already installed a captive power plant at its Vadodara Unit to reduce the power & fuel costs as the power available from the State Electricity Board is not cost competitive. Efforts are on to improve productivity and reduce input costs to maintain the earning levels.

Despite availability of plasma and LCD flat panels in the world market, the demand for cathode ray tubes continues to remain stable. High cost and perceived shorter life cycle has been a dampener to the growth in the plasma segment besides it is more a product of large screen sizes. The cathode ray tube segment, continues to show growth in the developing and semi developed markets of the world. However in the western world, it is tending to plateau. The CRT, Plasma and LCDs will all co-exist and grow but at different price points.

Company's performance

Sales, during the year ended March 2005 was 15,76,328 nos. as against 14,27,222 nos. during the previous year. Production at the Vadodara unit was ramped up and is being increased further with the addition of a new line. Efforts are on to start operations at the Mohali unit.

The company has laid great emphasis on the competency of its work force to meet the stringent world standards. Adequate training is imparted for continuous improvement in skills to remain competitive in today's business environment.

In view of the shrinking margins witnessed by the CPT industry and the falling duty structures, the company has approached its lenders for softer interest rates and other concessions.



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.

II. Board of Directors

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

The Board met five times during the year on 30th April, 2004, 30th July, 2004, 23rd August, 2004, 28th October, 2004 and 31st January, 2005.

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	Five	Two	None	None
Mr. V Rajaraman	Independent – Non Executive	Four	One	None	None
Mr. K Jayabharath Reddy	Independent – Non Executive	Three	Ten	Three	Three
Mr. P K Ganguly	Independent – Non Executive	Five	Four	None	None
Mr. S Ananthakrishnan	Nominee – IDBI	Four	None	None	None
Mr. J N Pandey*	Nominee – Allahabad Bank	Four	One	None	None
Dr. S S Jha*	Nominee - IFCI	One	One	None	None
Mr. L N Mishra*	Nominee – IFCI	One	Three	One	None

* Dr. Jha was withdrawn as IFCI nominee from 8h June, 2004 and Mr. Mishra was inducted on 28th Oct. 2004 in his place.

* Mr. Pandey ceased to be Allahabad Bank Nominee from 31st March, 2005.

The last AGM held on 30th September, 2004, was attended by Mr. V Rajaraman and Mr P K Ganguly.

III. Audit Committee

The Audit Committee presently comprises of three independent non-executive directors with Mr. K. Jayabharath Reddy, Mr. P. K. Ganguly and Mr. L N Mishra are its members. Mr. Reddy was inducted as a member of the committee in place of V. Rajaraman in April 2005.



The committee met five times on 30th April, 2004, 30th July, 2004, 23rd August, 2004, 28th October, 2004 and 31st January, 2005 and the attendance of each member is as under:

Mr. V Rajaraman	—	(Four Meetings)
Mr. P K Ganguly	—	(Five Meetings)
Dr. S S Jha	—	(One Meeting)
Mr. L N Mishra	—	(One Meeting)

Mr. Mishra was appointed as IFCI nominee in place of Dr. Jha

The Internal Auditors, Statutory Auditors, Chief Operating Officer and the Company Secretary who is also the Chief Internal Auditor attend 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. L.N. Mishra as its members. Mr. Reddy is the chairman of the committee.

The committee was constituted to fix the remuneration payable to the Managing Director,

V. Shareholders Committee

The Shareholder's & Investors' Grievance Committee has Mr. Ajun Thapar, Managing Director and Mr. M. M. Thapar, and Mr. P. K. Ganguly, non executive directors as its members.

The committee meets to approve inter-alia transfer/transmission of shares, issue of duplicate share certificates, status of 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 31st March, 2005 there were no complaints/queries pending for reply and 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 2004-05 for meetings of the Board & Committee	Remuneration paid during 2004-2005
Mr. M. M. Thapar	Rs. 6000	—
Mr. K. Jayabharath Reddy	Rs. 6000	—
Mr. V. Rajaraman	Rs. 26000	—
Mr. P. K. Ganguly	Rs. 32000	—
Mr. S. Ananthakrishnan	Rs. 8000	—
Mr. J. N. Pandey	Rs. 8000	—
Dr. S. S. Jha	Rs. 4000	—
Mr. L. N. Mishra	Rs. 4000	—
Mr. Arjun Thapar	—	Rs. 815000

No Commission was paid to any Director.