

# ANNUAL REPORT 2005 – 06

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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. 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

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**BANKERS**

Allahabad Bank  
 Bank of Baroda  
 Indian Overseas Bank  
 Punjab National Bank  
 Punjab & Sind Bank  
 SBI Commercial & International Bank Ltd.  
 State Bank of India  
 State Bank of Patiala  
 UCO Bank  
 Bank of Nova Scotia  
 Bank of Tokyo - Mitsubishi UFJ, Ltd.  
 Oman International Bank Ltd. S.A.O.G.  
 Siam Commercial Bank p.l.c.  
 Standard Chartered Bank

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## NOTICE

Notice is hereby given that the 29<sup>th</sup> 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 29<sup>th</sup> day of September, 2006 at 3.00 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, 2006, 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 P K Ganguly, 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 : 21<sup>st</sup> August, 2006

Gopal Krishnan  
Company Secretary &  
Chief Internal Auditor

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## 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, 22<sup>nd</sup> September, 2006 to Saturday, 30<sup>th</sup> September, 2006 (both days inclusive)
- c) Members can send the shares for transfer in physical form and all other queries to Thapar House, 124 Janpath, New Delhi – 110 001
- d) Particulars of Mr P K Ganguly, Director who retires by rotation and is seeking re-appointment at the ensuing annual general meeting on 29<sup>th</sup> September, 2006.

Mr. P K Ganguly, aged 65 years is an Advocate and Solicitor and a fellow of the Indian Council of Arbitration. He has been a director on the Board since the year 2000. He has over 43 year of experience and was associated with J.B. Dadachanji & Co. for over 17 years with specialization in Corporate Laws, Joint Ventures and Arbitration. He is also on the Boards of the companies like – Yang Du Estates Limited, Menarin Raunaq Pharma Ltd. and Zellweger Luwa India Ltd.



## DIRECTORS' REPORT

To the members of JCT Electronics Limited.

The Board of directors present their report together with audited statement of accounts for the year ended 31<sup>st</sup> March, 2006.

### Financial Results

	Year ended 31.03.2006	Year ended 31.03.2005
	(Rupees in lacs)	
Gross Sales including other income	28483	35638
Interest	13038	12379
Expenses relating to prior period	10	68
Depreciation	4230	4185
Provision for fringe benefit tax	28	—
Net Loss for the year	19850	16402

In view of the losses incurred during the year, no dividend is recommended for the year under report.

### Operations

The Colour Picture Tube (CPT) industry witnessed a positive growth during the year. The production for the year ended 31<sup>st</sup> March, 2006 was 1.54 million CPTs as against 1.62 million CPTs in the previous year. Sales at 1.58 million CPTs was higher than 1.57 million CPTs in the year before. However, on account of decline in the selling prices, the sales turnover was lower despite higher volumes. During the year, your company revived production of 14" CPTs to broaden its product range by installing a new line at Vadodara. The company also successfully completed trials for the 21" pure flat tubes, besides taking up work on the 21" slim and 15" pure flat tubes. Increased competition and aggressive pricing by the CTV industry, put pressure on the margins resulting in a loss for the year. Your company has obtained the ISO-14000 Certification.

### Outlook & Plans

The domestic CPT industry has grown to a size of over 10 million units. Continuous efforts at improving productivity and reducing costs/overheads have helped in sustaining contributions. Your company has plans to take up commercial production of the 15" pure flat tubes by the last quarter of this financial year besides the 21" pure flat tubes. With various CPT plants in high cost economies closing down, the global sourcing of CPTs is likely to be mainly from India & China in the years to come. Your company has a fairly wide customer base globally. Exports continued to be regular and your company qualified for the target plus scheme due to substantial increase in exports in earlier years.

### Finances

The reference made by the company to BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) was considered and the company has been declared sick. The Hon'ble Board has appointed IFCI as the operating agency to finalise a rehabilitation package for revival of the company.

A draft rehabilitation scheme has been finalised with the lenders seeking various concessions and the same have been referred to BIFR. The banks and financial institutions have been approached to consider reduction in interest rates in view of the competition being faced by the industry. The banks have also been requested for additional non fund working capital limits.



### Human Resources

Your company has laid emphasis on improving the skills of its human resources towards achieving better performance, higher productivity and improving quality. A full scale training centre simulating various production processes has been set up of the Vadodara Unit for this purpose. 5S movement has also been initiated.

Industrial relations remained cordial at both the units. A fresh wage settlement with the workers of the Vadodara unit has recently been finalised.

### Directors

Mr. S Ananthakrishnan, Nominee of IDBI was withdrawn from the Board of the company with effect from 3<sup>rd</sup> April, 2006. Your Directors place on record their appreciation for the contributions made by Mr Ananthakrishnan during his tenure.

Mr P K Ganguly, 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 31<sup>st</sup> March, 2006, 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, 2006 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 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 along with 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 of the employees 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 conditions to maintain safeguards.

**Auditors**

The Auditors, Messrs V Sahai & Co., Chartered Accountants would 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 appointed.

The non provision of certain items as mentioned by the Auditors in their report have been explained in the notes to the accounts and are being addressed in the rehabilitation scheme under consideration of BIFR and 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  
21<sup>st</sup> August, 2006

M. M. Thapar  
Chairman

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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:

- External energy audit carried out for utility systems to identify energy losses / deficiencies.
- Improved load management to reduce energy costs.
- Streamlined the water management to reduce consumption of water.
- Reduction in fuel consumption in 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. We are in the process of absorbing the technology for the 15"/21" pure flat tubes and 21" slim tubes.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange outgo during the year - Rs. 5046.71 Lacs

Foreign exchange earnings during the year - Rs. 2453.46 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, 53, 2879692/-, 32, 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

### Industry scenario

The CRT industry witnessed positive growth during the year. Realisations during the year had drastically come down on account of the aggressive & competitive pricing by the CTV manufacturers as also free trade agreements coming into effect. Opportunities for growth continue to look bright with the present low household penetration levels and boom witnessed in the electronic media. Major sports events during the current year are expected to propel the growth further. With some capacities in the mid/small size segment closing down or being vacated in Europe, overseas demand has seen an upswing. Prices have also started firming up with the weakening of the rupee and increase in demand.

Despite availability of plasma and LCD flat panels in the world market, the demand for cathode ray tubes continues to remain stable. High cost, perceived shorter life cycle and large screen sizes have restricted the growth in the plasma segment. The cathode ray tubes, continue to witness growth in the developing and semi developed markets of the world. The CRT, Plasma and LCDs will all co-exist but at different price points.

### Company's performance

Sales for the year ended March 2006 were marginally higher than the previous year. Production at the Vadodra unit has been increased with the commissioning of a new line, taking the installed capacity to 3 million CPTs per annum. With enhanced capacity available, sales volumes during the current financial year will substantially improve. To broaden its product line, the company has successfully completed trials on the 21" slim and 15"/21" pure flat tubes. Commercial production is expected to be taken up soon in the current financial year based on market demand. The company has plans to offer products with high growth potential as also broaden the customer base.

In view of the increasing power & fuel costs, the company had installed a captive power plant for its power requirements and reduce its dependence on the State Electricity Board. With gas being made available shortly, we will be able to further reduce our power and fuel costs. The company is fully geared up to meet the challenges faced by the industry. Efforts are on to continuously improve productivity and reduce input costs to maintain the earning levels. Lot of emphasis and effort has been laid on upgrading the skills of the work force to meet the quality standards, improve productivity and inculcate the sense of team work.

The company has in place adequate internal control systems and procedures to ensure optimum utilisation of resources, compliance with statutory regulations and continuously improve performance.





## 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. Code of Conduct

The Code of Conduct in line with the provisions of Clause 49 of the Listing Agreement for the Directors and senior management has been formulated, framed and adopted by the Board.

### III. Board of Directors

- The Board of Directors comprises of eminent persons and is presently constituted of six members with two nominee directors and three 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 28<sup>th</sup> April, 2005, 28<sup>th</sup> July, 2005, 25<sup>th</sup> August, 2005, 28<sup>th</sup> October, 2005 and 31<sup>st</sup> January, 2006.

- 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, Chairman	Promoter – Non Executive	One	Five	None	None
Mr. Arjun Thapar, Managing Director	Promoter -Executive	Five	Two	None	None
Mr. K Jayabharath Reddy	Independent – Non Executive	Four	Eleven	Four	Four
Mr. P K Ganguly	Independent – Non Executive	Five	Four	None	None
Mr. S Ananthkrishnan*	Nominee - IDBI	Four	One	None	None
Mr. L N Mishra	Nominee - IFCI	Three	Three	Three	None
Mr. P K Anand	Nominee - Allahabad Bank	Three	None	None	None

\* Mr. Ananthkrishnan was withdrawn as nominee from the Board w.e.f. 3/4/2006.

- The last AGM held on 30<sup>th</sup> September, 2005, was attended by Mr P K Ganguly.

### IV. 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 as its members.

The committee met five times on 28<sup>th</sup> April, 2005, 28<sup>th</sup> July, 2005, 25<sup>th</sup> August, 2005, 28<sup>th</sup> October, 2005 and 31<sup>st</sup> January, 2006 and the attendance of each committee member is as under :

Mr. K Jayabharath Reddy	-	Three
Mr. P K Ganguly	-	Five
Mr. L N Mishra	-	Three



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.

#### V. Remuneration Committee

The Remuneration Committee presently comprises of two independent non executive directors Mr. K Jayabharath Reddy and Mr. L N Mishra as its members with Mr. Reddy being the chairman.

The terms of reference are to recommend/review the remuneration package of the Managing Director as provisions of Schedule XIII to Companies Act, 1956.

#### VI. Shareholders Committee

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

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

The committee meets to review inter-alia the status of transfer/transmission of shares, issue of duplicate share certificates, shares dematted/rematted and investor's grievance and redressal mechanism and recommend measures for improvement of investors' services.

During the year ended 31<sup>st</sup> March, 2006 there were no complaints/queries pending for reply and there were no share transfers pending for registration for more than 30 days.

#### VII. Details of remuneration paid to Directors.

Remuneration paid to Mr. Arjun Thapar, Managing Director during the year was Rs. 8.04 lakhs.

Except for sitting fees for attending the meetings of the Board/Committee, no remuneration / commission has been paid to any Director.

#### VIII. General Body Meetings

The details of the previous three Annual General Meetings held is as under :

AGM	Financial Year/ Accounting period	Day/Date	Time	Venue
26 <sup>th</sup>	1-4-2002 to 31-3-2003	Tuesday 30-09-2003	3.00 p.m.	Dara Studio Phase VI, SAS Nagar, Mohali, Punjab.
27 <sup>th</sup>	1-4-2003 to 31-3-2004	Thursday 30-09-2004	12.30 p.m.	Dara Studio Phase VI, SAS Nagar, Mohali, Punjab.
28 <sup>th</sup>	1-4-2004 to 31-3-2005	Friday 30-09-2005	3.00 p.m.	A-32, Indl. Phase VIII, SAS Nagar, Mohali, Punjab.

No special resolution was required to be passed through postal ballot last year in terms of the provisions of the Act and relevant rules made thereunder.

#### IX. Disclosures

No transactions of material nature have been entered into by the company with Promoters, Directors or their relatives conflicting with the company's interest except as disclosed in the financial accounts under related party transactions.

No penalties or strictures have been imposed on the company by the stock exchanges or SEBI or any Statutory Authority on any matter related to capital markets during the last three years.