

ANNUAL REPORT 2006 – 07

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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*
 Mr. Pawan Chopra, *Special Director*

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
 Punjab National Bank
 Punjab & Sind Bank
 State Bank of Patiala
 SBI Commercial & International Bank Ltd.
 Bank of Baroda
 State Bank of India
 Indian Overseas Bank
 UCO Bank
 Siam Commercial Bank p.l.c.
 Standard Chartered Bank
 Oman International Bank Ltd. S.A.O.G.
 Bank of Nova Scotia
 Kotak Mahindra Bank Ltd.

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NOTICE

Notice is hereby given that the 30th 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 21st day of September, 2007 at 10.00 a.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, 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 K Jayabharath Reddy, 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 the 30th annual general meeting till the conclusion of the 31st annual general meeting and authorise the Board of Directors to fix their remuneration.

Special Business :

4. To consider and if thought fit, to pass with or without modification(s), the following resolutions as ordinary resolution.

"RESOLVED that pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto (including any amendment or re-enactment thereof), approval be and is hereby accorded to the re-appointment of Mr. Arjun Thapar as the Managing Director of the Company for a period of five years with effect from 4th February, 2008 and to his receiving remuneration as detailed in the Explanatory Statement annexed.

RESOLVED further that the Board of Directors (hereinafter referred to as "the Board", which expression shall be deemed to include any committee of the Board for the time being, exercising the powers conferred by the Board) be and is hereby authorized to increase, vary or amend the remuneration and other terms of his appointment from time to time as deemed expedient or necessary, provided however that such remuneration shall not exceed the limits prescribed under Schedule XIII thereto or any amendment or re-enactment thereof or otherwise as may be permissible from time to time".

By order of the Board
for JCT ELECTRONICS LIMITED

Place : New Delhi
Dated : 8th August, 2007

Gopal Krishnan
Company Secretary &
Chief Internal Auditor

NOTES

- a) Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item 4 is annexed.
- b) **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.

- c) In terms of the orders passed by the Hon'ble BIFR while sanctioning the rehabilitation scheme, the existing equity share capital has been written down by 90% and accordingly 6th August, 2007 was fixed as the record date for this purpose.

Members who are holding equity shares of the face value of Rs.10/- in physical form are requested to send the share certificate(s) to the company's office at **Thapar House, 124 Janpath, New Delhi – 110 001**, for endorsing the new face value of Rs.1/- after write down.

Members holding equity shares of Rs.10/- in electronic form will be credited with equity shares of Rs.1/- on activation of new ISIN.



- d) The Register of Members and Transfer books of the company will remain closed from Monday, 17th September, 2007 to Friday, 21st September, 2007 (both days inclusive)
- e) Transfer requests for shares in physical form and all other queries should be sent to the company's office at **Thapar House, 124 Janpath, New Delhi – 110 001.**
- f) Particulars of Mr K Jayabharath Reddy, Director who retires by rotation and is seeking re-appointment at this annual general meeting.

Mr. K Jayabharath Reddy, aged 70 was appointed as a director of the company on 27th 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 Displays Devices Limited, BPL Limited, BPL Power Projects (AP) Pvt. Limited., Facor Alloys Limited, Exensys Software Solutions Limited, SQL Star International Limited, NCL Industries Limited, NCL Alltek & Seccolor Limited, Indus Medicare Limited, Lanco Kondapally Power Private Limited & Viceroy Hotels Limited.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item 4

Mr Arjun Thapar was appointed as the Managing Director of the company for a period of five years with effect from 4th February, 2003. His term of appointment expires on 3rd February, 2008. Directors at their meeting held on 8th August, 2007 have approved his re-appointment as the Managing Director of the company for a further period of five years with effect from 4th February, 2008, subject to necessary approvals, as may be required. The remuneration committee constituted by the Board has subject to necessary consents approved the following remuneration during this tenure :

Salary : Rs.1,90,000 per month.

Perquisites :

- i) Medical Reimbursement
Reimbursement of expenses incurred for self and family subject to a ceiling of Rs.15,000/- in a year.
- ii) Leave Travel Concession
For self and family once in a year not exceeding Rs.1,00,000/-.
Explanation : Family here means the spouse and dependent children.
- iii) Personal Accident Insurance
Personal Accident Insurance, the premium of which shall not exceed Rs.5,000 per annum.
- iv) Encashment of Leave
Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on remuneration.
- v) Provident Fund, Superannuation and Gratuity
Company's contribution towards Provident Fund and Superannuation Fund as per rules of the Company but not exceeding 25% of the salary or as laid down in the Income Tax Rules, 1962.
Contribution to the Provident Fund and Superannuation Fund shall not be included in the computation of the ceiling on remuneration.
Gratuity as per rules of the company but not exceeding half month's salary for each completed year of service.
Such gratuity will also not be included in the computation of the ceiling on remuneration/perquisites.
- vi) Car and Telephone
The company will provide a company maintained car and residential telephone with fax. The use of car on company's business and telephone/fax at residence will not be considered as perquisites. However, personal long distance calls and use of car for private purpose shall be billed to him.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during his tenure as Managing Director, remuneration shall be paid by way of salary and perquisites as set out hereinabove or as amended from time to time by the Board provided the remuneration so paid does not exceed the limits prescribed under Schedule XIII thereto or any amendment or re-enactment thereof or otherwise as may be permissible from time to time.

Except Mr. Arjun Thapar and Mr. M M Thapar who is related to Mr. Arjun Thapar, none of the other directors of the company are interested in the resolution.



DIRECTORS' REPORT

To the members of JCT Electronics Limited.

The Board of directors present their report and the audited accounts for the year ended 31st March, 2007.

Financial Results

	Year ended 31.03.2007	Year ended 31.03.2006
	(Rupees in lacs)	
Gross Sales including other income	35328	28483
Interest & Financing Charges	559	13038
Depreciation	1623	4230
Expenses/depreciation relating to prior period	295	10
Net Profit/(Loss) for the year	(4464)	(19822)
Interest written back as per BIFR scheme	54864	—
Provision for fringe benefit tax	—	28
Net Profit/(Loss) after tax	50400	(19850)

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

Operations

Your company has seen overall growth during the year. The production for the year ended 31st March, 2007 was 2.43 million CPTs as against 1.54 million CPTs in the previous year. Sales at 2.40 million CPTs was higher than 1.58 million CPTs the year before. However, an account of erosion in the selling prices, the sales turnover is lower despite higher volumes. Increased competition and aggressive pricing by the CTV industry, put pressure on the margins. During the year, your company revived production of 14" CPTs to broaden its product range in the new line installed at Vadodara. The company also successfully completed trials for the 21" & 15" pure flat tubes and 21" slim tubes. The 15" & 21" pure flat tubes will be commercially launched in this financial year.

Outlook & Plans

The domestic CPT industry has grown to a size of around 12 million units during the financial year 2006-07. Continuous efforts at improving productivity and reducing costs/overheads have helped in sustaining contributions despite falling prices. With pure flat market showing healthy growth, your company would be focusing on this segment, besides the conventional tubes which continues to see steady demand. With various CPT plants 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. In view of the appreciating rupee, exports were stopped and will be now taken up once the dollar stabilizes.

Finances

You company was declared sick based on a reference made by the company to BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. The Hon'ble BIFR has since sanctioned the rehabilitation scheme for revival of the company. The scheme provides for various financial reliefs and concessions which will help in improving the financial health of the company. Impact of various concessions sanctioned in the scheme have been covered in the accounts for the year under review.

The sanctioned scheme is in the process of being implemented. Pursuant to the sale, the existing equity capital is being written down by 90%. Further fresh equity shares are being issued to the promoters against infusion of funds made by them. The financial institutions and banks would also be issued equity shares on conversion of a portion of their principal outstanding as on 31st March, 2007. An Asset Sale Committee constituted under the directions of the Hon'ble BIFR has set in motion the process for disposal of the land and building at Mohali.

Human Resources

Your company continues to lay emphasis on improving the skills of its human resources towards achieving performance, productivity and quality. A full scale training centre simulating various production processes has been set up at the Vadodara unit for this purpose and importance is given towards educating the workforce.



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. Praveen Chopra has been appointed as a special director by the Hon'ble BIFR on the Board of the company with effect from 24th July, 2007.

Mr K Jayabharath Reddy, 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, 2007, 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, 2007 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 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, 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, 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.

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
8th August, 2007

Arjun Thapar
Managing Director



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:

- Improved load management to reduce energy costs.
- Reduction in power consumption in production areas.
- Reduction in LPG consumption.
- Reduction in power losses and lighting load.
- Streamlined the water management to reduce water consumption by reuse and harvesting rain water.

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 and improving usage & quality.

iii) Future plan of action.

To continue R&D work in above areas for improving quality and 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 technology absorption for the 15"/21" pure flat tubes and 21" slim tubes.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange outgo during the year - Rs. 6968 Lacs

Foreign exchange earnings during the year - Rs. 710 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; Rs. 35,62,913/-; 32; 1/8/87; Sterling Steels & Wires Ltd.

K. V. Subramaniam; Vice President; B.Sc & B.Tech; 60; Rs. 25,17,356/-; 40; 19/8/94; Hotline Glass 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 employees are not related to any director of the company .



MANAGEMENT DISCUSSION AND ANALYSIS

Industry scenario

The CPT industry witnessed positive growth during the year. However realizations during the year had drastically come down on account of the aggressive pricing by the CTV manufacturers as also on account of imports from countries where free trade agreements are in effect. The appreciation of the rupee against the dollar seen over the last two quarters and clearance sale of stocks by few overseas manufacturers closing down has also impacted the landed price of the CPTs. Despite the falling prices, opportunities for growth continues to be there with the boom witnessed in the electronic media. With capacities in the mid/small size segment closing down or being vacated in Europe and South East Asia, sourcing of these sizes will be primarily from India and China.

While the plasma and LCD segment has seen big growth in the developed countries, the demand for cathode ray tubes continues to be there in the developing and semi developed countries. The world market demand for the CRT tubes will see a decline over the next four to five years. However in percentage terms the CRT tubes will continue to be the dominant technology in the TV display market. In the CRT segment also, the pure flat tubes are witnessing big growth in numbers. High cost and shorter life cycle have restricted the growth in the plasma segment. However, the LCD segment has shown sizable growth with the prices falling down sharply over the last year. As all the three segments cater to different markets, they will continue to co-exist.

Company's performance

Production and Sales Nos. for the year ended March 2007 were higher than the previous year as both the lines were fully operational. With enhanced capacity of 3.6 million CPTs per annum available at Vadodara, production and sales volumes during the current financial year will further improve. As per the sanctioned scheme, the existing line of the Mohali unit is to be relocated and installed at the Vadodara Unit which will take up the installed capacity at Vadodara further by 1 million CPTs per annum. To broaden its product range, the company has successfully completed trials on the 21" slim and 15" & 21" pure flat tubes. Commercial production of the 15" and 21" pure flat tubes is expected to be taken up in the current financial year based on market demand. The company will offer products with high growth potential and also broaden its customer base.

The company had earlier installed a captive power plant for meeting its power requirements and reduce its dependence on the State Electricity Board to save power cost. With gas now being available at Vadodara, our power and fuel costs will reduce further. The company is confident of meeting the challenges faced by the industry. Continuous efforts at improving productivity and reducing input costs has helped in maintaining the margins. Lot of effort has gone in upgrading the skills of the work force to meet the quality standards, improve productivity and inculcate the sense of team work.

Adequate internal control systems and procedures are in place to ensure optimum utilization of resources, improve performance and compliance with statutory regulations.



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 two nominee directors, two independent directors, besides the Chairman and the Managing Director. The Managing Director is responsible for the day-to-day affairs of the company.

The Hon'ble BIFR has appointed Mr. Pawan Chopra as the Special Director on the Board of the Company with effect from 24th July, 2007..

– The Board met five times during the year on 28th April, 2006, 29th July, 2006, 21st August, 2006, 31st October, 2006 and 29th January, 2007.

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

– The last AGM held on 29th September, 2006, was attended by Mr P K Ganguly.

IV. Audit Committee

The Audit Committee presently comprises of three independent directors with Mr. K Jayabharath Reddy, Mr. P K Ganguly and Mr L N Mishra are its members.

The committee met five times on 28th April, 2006, 29th July, 2006, 21st August, 2006, 31st October, 2006 and 29th January, 2007 and the committee members attended all the meetings.

The Internal Auditors, Statutory Auditors, Chief Operating Officer, General Manager – Finance & Accounts and the Company Secretary who is also the Chief Internal Auditor attend the committee meetings to 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 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 per provisions of Schedule XIII to Companies Act, 1956.

VI. Shareholders Committee

The Shareholders & Investor's Grievance Committee has Mr. Ajun Thapar (Managing Director), Mr. M M Thapar and Mr. P K Ganguly, 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 31st March, 2007 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. 6 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	Day/Date	Time	Venue
27 th	1-4-2003 to 31-3-2004	Thursday 30-09-2004	12.30 p.m.	Dara Studio Phase VI, SAS Nagar, Mohali, Punjab.
28 th	1-4-2004 to 31-3-2005	Friday 30-09-2005	3.00 p.m.	A-32, Indl. Phase VIII, SAS Nagar, Mohali, Punjab.
29 th	1-4-2005 to 31-3-2006	Friday 29-09-2006	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.

X. Means of communication

Quarterly results are communicated to the stock exchanges where the company's shares are listed and also posted on the SEBI website. The same are displayed on the following websites www.bseindia.com, www.nseindia.com and www.sebiedifair.nic.in