

ANNUAL REPORT

2007 – 08

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JCT ELECTRONICS LIMITED



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. Pawan Chopra, *Special Director BIFR*
 Mr. Narendar Kumar, *Nominee IFCI*
 Mr. S. K. Kalra, *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
 Punjab National Bank
 Punjab & Sind Bank
 State Bank of Patiala
 Bank of Baroda
 Indian Overseas Bank
 UCO Bank
 Siam Commercial Bank p.l.c.
 Standard Chartered Bank
 Oman International Bank
 Bank of Nova Scotia
 Kotak Mahindra Bank

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JCT ELECTRONICS LIMITED

DIRECTORS' REPORT

Your directors present their report and audited accounts for the year ended 31st March, 2008

Financial Results

| | Year ended 31.03.2008 | Year ended 31.03.2007 |
|--|--------------------------|--------------------------|
| | (Rupees in lacs) | |
| Gross Sales including other income | 39770 | 35328 |
| Interest & Financing Charges | 825 | 559 |
| Depreciation | 1617 | 1623 |
| Expenses/depreciation relating to prior period | 47 | 295 |
| Net Profit/(Loss) for the year | (4019) | (4464) |
| interest written back as per BIFR scheme | — | 54864 |
| Net Profit/(Loss) after tax | (4019) | 50400 |

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, 2008 was 3.30 million CPTs as against 2.43 million CPTs in the previous year. This has been achieved through continuous improvement in the productivity & yields and de-bottlenecking of various processes/areas.

Sales at 3.31 million CPTs was higher than 2.40 million CPTs the year before by adding more products and customers to the portfolio. However, an account of erosion in the selling prices, the sales turnover is not substantially higher than the year before despite growth of over 37% in sales volumes.

During the year, the company introduced the 15" & 21" pure flat tubes. With the pure flat segment witnessing a faster growth as compared to the conventional tubes, our emphasis during the current year will be on ramping up production volumes of the pure flat tubes to cater to the increasing demand. Though the mid sized conventional tube continues to be in demand, over a period of time we will see the pure flat segment taking over the markets.

The 14" tubes have seen substantial growth in numbers over the previous year, on account of big government orders and growing demand in smaller towns on account of its attractive pricing and in bigger towns as a second household/ shop/office TV.

Increased competition, dumping from abroad and aggressive pricing by the CTV industry have put pressure on the margins. The margins were also under pressure on account of increase in input costs with sharp rise in oil prices. However, the CPT prices have now more or less stabilised and it is expected that in the coming year, prices might firm up with the demand exceeding the capacity available, as some major global players are vacating the CRT display segment and moving over to the LCD/Plasma segment or exiting the business. To protect the domestic CPT industry, anti-dumping against import of CPTs from countries like China, Malaysia, Thailand and Korea has been imposed provisionally by the Government of India by laying down bench mark prices for import of CPTs of various sizes. This should help the company to improve the contribution on its products. Continuous efforts at reducing input costs and improvement in yields & productivity are being aggressively pursued to maintain margins and achieve profitability.

Your company was declared sick on a reference made by the company to BIFR in the year 2002 under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. The Hon'ble BIFR sanctioned a rehabilitation scheme for revival of the company in March, 2007, which provided for various financial reliefs and concessions for improving the financial health of the company. The sanctioned scheme is being implemented.

In terms of the sanctioned scheme, the existing equity share capital of Rs. 3,453.55 lacs was written down by 90% during the year. Further, equity shares amounting to Rs.7,502.27 lacs were issued to the promoters, term lenders and banks as laid down in the scheme. These new equity shares have since been listed on the stock exchanges.

Outlook & Plans

The domestic market for CPTs has grown to a size of around 15 million units during the financial year 2007-08. 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 taken up if the dollar continues to appreciate.



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In view of the increasing demand seen for the 14" tubes and 21" pure flat tubes, besides the conventional mid sized tubes, it is intended to increase the capacity at Vadodara.

Directors

The IFCI Limited have nominated Mr. Narendar Kumar, Chief General Manager, as their nominee on the Board with effect from 28th April, 2008 in place of Mr. L N Mishra. Allahabad Bank have also nominated Mr. S K Kalra, Dy. General Manager, as their nominee on the Board in place of Mr. P K Anand with effect from 3rd December, 2007. Your Directors place on record their appreciation for the contributions made by Mr. Mishra and Mr. Anand during their association with the company. Pursuant to the sanction of the rehabilitation scheme, the Hon'ble BIFR have nominated Mr. Pawan Chopra as a Special Director on the Board with effect from 24th July, 2007.

Mr. M M Thapar and Mr. P K Ganguly, directors retire by rotation at the forthcoming annual general meeting and being eligible offers 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 31st March, 2008, 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, 2008 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 the Companies Act, 1956 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 pursuant to Section 217(1)(e) of the Companies Act, 1956 and rules framed thereunder forms part of this report and 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 being a top priority, the company continuously upgraded its capability to meet the required norms and safeguards.

Industrial Relations

Your company continued to maintain harmonious and cordial relations with its workers in both the units.

Auditors

The Auditors, Messrs V Sahai & Co., Chartered Accountants, hold office till the conclusion of the forthcoming annual general meeting and being eligible offer themselves for re-appointment.

The observations of the auditors and the notes to the accounts are self explanatory.

Acknowledgement

The Board acknowledges and appreciates the valuable support extended by 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
20th August, 2008

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:

- Energy audit undertaken for identifying potential areas for energy savings.
- Reduction of power consumption through better load management.
- Reduction in fuel consumption in boilers / furnaces through process re-engineering.
- Reduction in power losses and lighting load.
- Reduction in water consumption by reuse and harvesting of rain water.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Research & Development

i) Areas in which R&D carried out.

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

ii) Benefits derived as a result of above activities.

Cost reduction achieved through improvement in design, import substitution, lower usage and better quality.

iii) Future plan of action.

To continue R&D work in above areas for further improving quality and reducing costs with focus on value engineering.

iv) Expenditure on R&D.

No significant expenditure was involved as the development, upgradation and improvements were carried out in house.

b) Technology absorption

The technology for manufacture of 21", 20" & 14" conventional, 21" & 15" pure flat and 21" slim colour picture tubes have been absorbed. The technology for manufacturing Deflection Yokes and Electron Guns has also been absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange outgo during the year - Rs. 7691 lacs

Foreign exchange earnings during the year - Nil

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, 56, Rs. 4599803/-, 34, 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 CPT industry witnessed positive growth during the year in India. However, during the year under review, CPT prices came down in the global and Indian markets which has impacted the margins. Imports from countries in the south eastern region also contributed to this pressure on margins. The appreciation of the rupee against the dollar seen over a major part of the previous year and dumping of tubes by few overseas manufacturers closing down has 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. Growth in volumes and improvement in productivity and yields helped in checking the free fall seen in the margins. 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 CRTs continues to be there in the developing and semi developed countries. High cost and perceived shorter life cycle have restricted the growth in the Plasma segment. However, the LCD segment has shown sizable growth with the prices coming down. The world market demand for the CRTs is expected to see a decline over the next few years, though in percentage terms CRTs will continue to be the dominant technology in the TV display market. In the CRT segment also, the pure flat and super slim tubes will witness big growth in numbers. All the three segments cater to different markets and will therefore continue to co-exist.

Company's performance

Production and Sales Nos. for the year ended March 2008 were higher than the previous year as both the lines were fully operational. Major sports events during this year have helped in propelling the growth. With plans for enhancing capacity at Vadodara, production and sales volumes during the current financial year will further improve. As per scheme sanctioned by Hon'ble BIFR, the existing line at Mohali is to be relocated and installed at Vadodara which will further take up the installed capacity at Vadodara. To broaden its product range, the company successfully completed trials on the 21" slim and introduced the 15" & 21" pure flat tubes in the market. The company will continue to offer products with high growth potential and also broaden its customer base.

The company is aggressively taking measures to cut input costs. However, with the spurt in international fuel prices, the power and fuel costs have gone up. Material costs have also gone up with increase in metal prices. Efforts are on to minimize the impact and the company is confident of meeting the challenges faced by the industry. Continuous efforts at improving productivity and reducing input costs have helped in maintaining the margins. Lot of effort has also 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. 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 the company presently has seven directors comprising of two nominee directors, two independent directors, one special director besides the Chairman and the Managing Director who are the promoter directors. The Managing Director is responsible for the day-to-day affairs of the company.

IFCI Limited have nominated Mr. Narendar Kumar in place of Mr. L N Mishra as their nominee with effect from 28th April, 2008.

Allahabad Bank have nominated Mr. S K Kalra in place of Mr. P K Anand as their nominee with effect from 3rd December, 2007.

The Hon'ble BIFR 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 30th April, 2007, 31st July, 2007, 8th August, 2007, 31st October, 2007 and 28th January, 2008.

– Details of meetings attended by directors 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 | None | Four | None | None |
| Mr. Arjun Thapar, Managing Director | Promoter – Executive | Five | Two | None | None |
| Mr. K Jayabharath Reddy | Independent – Non Executive | Four | Ten | Ten | Six |
| Mr. P K Ganguly | Independent – Non Executive | Five | Three | One | None |
| Mr. L N Mishra* | Nominee – IFCI | Three | Three | None | None |
| Mr. P K Anand** | Nominee – Allahabad Bank | None | None | None | None |
| Mr. S K Kalra | Nominee – Allahabad Bank | One | None | None | None |
| Mr. Pawan Chopra | Special Director – BIFR | Two | Two | None | None |

* Ceased to be director w.e.f. 28th April, 2008

** Ceased to be director w.e.f. 3rd December, 2007.

Information placed before the Board of Directors broadly cover items specified in clause 49 of the listing agreement and such other items which are necessary to facilitate deliberations on issues concerning the company. Besides the Board at all times has complete access to all information.

III. Code of Conduct

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

As provided under clause 49 of the listing agreement with the Stock Exchanges, the Board members and senior management have confirmed compliance with the code of conduct for the period ended 31st March, 2008.



IV. Audit Committee

The Audit Committee presently comprises of three independent directors with Mr. K Jayabharath Reddy, Mr. P K Ganguly and Mr. Narendar Kumar as its members. Mr. Kumar, Nominee of IFCI was inducted as a member in place of their earlier nominee Mr. L N Mishra on 28th April, 2008.

The committee met five times on 30th April, 2007, 31st July, 2007, 8th August, 2007, 31st October, 2007 and 28th January, 2008. Mr. P K Ganguly attended all the committee meetings, while Mr K Jayabharath Reddy attended four meetings. Mr. L N Mishra attended three meetings.

The Internal Auditors, Statutory Auditors, Chief Operating Officer, Vice President – Finance & Accounts and the Vice President & Company Secretary attended 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. P K Ganguly 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. Arjun Thapar (Managing Director), Mr. M M Thapar and Mr. P K Ganguly, Directors, as its members.

Mr. Gopal Krishnan, Vice President & 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, 2008 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.

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

Remuneration paid to Mr. Arjun Thapar, Managing Director during the year was Rs. 11.27 lacs.

VIII. General Body Meetings

Details of the previous three Annual General Meetings held are as under :

| AGM | Financial Year | Day/Date | Time | Venue |
|------------------|-----------------------|----------------------|------------|--|
| 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. |
| 30 th | 1-4-2006 to 31-3-2007 | Friday 21-09-2007 | 10.00 a.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.

The chairman of the Audit Committee attends the Annual General Meeting.

IX. CEO/CFO Certification

In terms of the requirements of the listing agreement, necessary certificate is submitted to the Board of Directors and the Audit Committee.



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X. 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.

XI. Management discussion and Analysis

The management discussion and analysis is attached to the Director's Report.

XII. 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.sebidifar.nic.in

The results are also published in the newspapers like Indian Express – Delhi, Chandigarh; Jansatta – Delhi and The Punjabi Tribune – Chandigarh.

XIII. General Shareholder Information

- 31st Annual General Meeting
 - Day & Date : Tuesday, 30th September, 2008
 - Time : 10.00 a.m.
 - Venue : A-32, Indl. Phase VIII, SAS Nagar, Mohali, Punjab
- Financial Calendar 2007-08
 - First Quarterly Results : Before end of July, 2008
 - Second Quarterly Results : Before end of October, 2008
 - Third Quarterly Results : Before end of January, 2009
 - Fourth Quarterly Results : Before end of April, 2009
- Dates of Book Closure :
 - From Tuesday, 23rd September, 2008 to Tuesday, 30th September, 2008 (both days inclusive)
- Dividend payment date :
 - The company has not declared any dividend for the current financial year.
- Listing on Stock Exchanges :
 - The Equity Shares of the Company are listed on the following Stock Exchanges :
 - National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400051.
 - Bombay Stock Exchange Limited, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001
- Company/Stock Code :
 - The National Stock Exchange Association Ltd. JCTEL
 - The Stock Exchange Mumbai 500222
- Market price data for the year 2007 - 2008 :

| Month | NSE | | | BSE | | |
|------------|--|-----------|---------------|------------|-----------|---------------|
| | High (Rs.) | Low (Rs.) | Volume (Nos.) | High (Rs.) | Low (Rs.) | Volume (Nos.) |
| Apr., 2007 | 4.75 | 3.60 | 175120 | 4.80 | 3.50 | 331306 |
| May, 2007 | 4.15 | 3.55 | 111767 | 4.25 | 3.54 | 290245 |
| Jun., 2007 | 4.20 | 3.45 | 258517 | 4.10 | 3.45 | 274086 |
| Jul., 2007 | 4.35 | 3.60 | 271795 | 4.56 | 3.35 | 410184 |
| Aug., 2007 | Suspended for trading on account of write down of equity share capital | | | | | |
| Sep., 2007 | | | | | | |
| Oct., 2007 | | | | | | |
| Nov., 2007 | | | | | | |
| Dec., 2007 | 12.65 | 6.90 | 1279910 | 14.01 | 6.80 | 5593034 |
| Jan., 2008 | 14.00 | 6.25 | 632436 | 14.09 | 5.88 | 2578358 |
| Feb., 2008 | 7.30 | 5.20 | 152644 | 7.18 | 5.06 | 544460 |
| Mar., 2008 | 5.70 | 3.45 | 181408 | 5.51 | 3.50 | 453274 |



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– Distribution of share holding as at 31st March, 2008

| Category Nos. of shares | Shares Nos. | % age | Shareholders Nos. | % age |
|----------------------------|------------------|---------------|----------------------|---------------|
| Upto 500 | 4830994 | 0.62 | 24624 | 83.50 |
| 501-1000 | 2419924 | 0.31 | 2712 | 9.20 |
| 1001-2000 | 1825682 | 0.23 | 1106 | 3.75 |
| 2001-3000 | 949729 | 0.12 | 359 | 1.21 |
| 3001-4000 | 517373 | 0.06 | 141 | 0.48 |
| 4001-5000 | 988291 | 0.13 | 203 | 0.69 |
| 5001-10000 | 1181605 | 0.15 | 154 | 0.52 |
| 10001 and above | 772065165 | 98.38 | 191 | 0.65 |
| Total | 784778763 | 100.00 | 29490 | 100.00 |

– Shareholding pattern as on 31st March, 2008

| | | |
|--|---|-----------------|
| Promoters & Group Companies | : | 83.15 % |
| Collaborator/NRIs/OCBs/FIIs | : | 0.71 % |
| Fin.Inst./Ins.Co.'s/Mutual Funds/Banks | : | 14.03 % |
| Public | : | 2.11 % |
| Total | : | 100.00 % |

– Registrar and Share Transfer Agents

The share transfer agents for equity shares of the company both for electronic and physical segment are :

RCMC Share Registry (Pvt.) Ltd.
Unit : JCT Electronics Limited
B-106, Sector -2, Noida
Uttar Pradesh – 201 301
Tele : 0120-4015880
Fax : 0120-2444346
Email : shares@rcmcdelhi.com

– Share Transfer System :

Share transfers are registered and returned within the stipulated period if the documents are clear in all respects.

– Dematerialisation of equity shares :

As per SEBI directives the equity shares of the company are traded only in demat form for all investors from 28th August, 2000. The company has tied up with the National Securities Depository Limited and Central Depository Services (I) Limited and the ISIN allotted to equity shares of the company is INE264B01020

The demat/remat requests are processed within 15 days of the receipt of requests, provided they are complete in all respects.

– Manufacturing Units :

- NH-8, Village Kandhari, Taluka Karzan, Vadodara (Gujarat)
- A-32, Industrial Phase VIII, SAS Nagar, Mohali, Distt. Ropar, Punjab

– Address for Correspondence :

Thapar House, 124 Janpath, New Delhi – 110 001
Phone : 23345566. 43534242 ; Fax : 23367861
Contact Person : Mr. Manoj Chadha, Dy. Manager - Secretarial

The above report was approved at the Board meeting held on 20th August, 2008.

Compliance Certificate for corporate governance from auditors of the company is annexed herewith.