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Fabric of Success



JCT LIMITED

ANNUAL REPORT 2005

**Board of Directors**

Mr. M.M. Thapar
 Mr. Samir Thapar
 Mr. Rajmohan Singh
 Mr. Mahesh Sahai
 Mr. A. S. Dugal
 Mr. G. B. Kathuria
 Dr. S. P. Narang
 Mr. Lokanath Mishra
 Mr. M. P. M. Menon
 Mr. J. N. Pandey

Chairman & Managing Director
 Vice Chairman & Managing Director
 Director (Operations)

IFCI Nominee
 UTI Nominee
 Allahabad Bank Nominee

Company Secretary

Mr. S.C. Saxena

Auditors

S.P. Chopra & Co.
Chartered Accountants
 F-31, Connaught Place
 New Delhi - 110 001

Registered Office

Village Chohal
 Distt. Hoshiarpur - 146 024
 (Punjab)

Units

Textiles : Phagwara (Punjab)
 : Sriganganagar (Raj.)
 Filament : Hoshiarpur (Punjab)

Subsidiaries

Chohal Exports Limited
 Polytex Fibres Trading Limited
 Rajdhani Trading Co. Limited
 Kidarnath Kishanchand Finance
 & Investments Limited
 JCT (International) Pte Limited
 Gupta & Syal Limited

Corporate Office

Thapar House
 124, Janpath
 New Delhi - 110 001

Institutions & Bankers

IFCI Limited
 Allahabad Bank
 Bank of Baroda
 Punjab National Bank
 State Bank of India
 State Bank of Bikaner & Jaipur
 State Bank of Patiala
 State Bank of Travancore

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**NOTICE**

THE 56th ANNUAL GENERAL MEETING OF JCT LIMITED will be held at the Registered Office at Village Chohal, Dist. Hoshiarpur-146 024 (Punjab) on Friday, the 30th day of September, 2005 at 12.30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2005 and the Reports of the Directors and Auditors thereon.
2. To re-elect Mr. G. B. Kathuria as Director retiring by rotation and pass the following resolution:
"RESOLVED that Mr. G. B. Kathuria be and is hereby re-elected as Director of the Company."
3. To re-elect Dr. S. P. Narang as Director retiring by rotation and pass the following resolution:
"RESOLVED that Dr. S. P. Narang be and is hereby re-elected as Director of the Company."
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass the following resolution:
"RESOLVED that M/s. S. P. Chopra & Company, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration of Rs. 800,000/- payable in one or more instalments plus service tax as applicable, and reimbursement of out-of-pocket expenses incurred."

By Order of the Board
For JCT LIMITED

New Delhi

Dated : June 3, 2005

S. C. Saxena
Company Secretary

NOTES FOR MEMBERS' ATTENTION:

- (a) A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company.
Proxies, in order to be effective, must be received at the Registered Office at Village Chohal, Dist. Hoshiarpur (Punjab), not less than forty-eight hours before the time of the Meeting.
- (b) Members are requested to notify immediately change of address, if any:
 - (i) To their Depository Participants (DPs) in respect of their electronic share accounts, and

- (ii) To the Company or its Share Transfer Agent in respect of their physical share folios.
- (c) Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.
- (d) As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available to individuals holding shares in the Company. Shareholders holding shares in physical form may obtain the Nomination Form – 2B prescribed by the Government from the Company/Share Transfer Agent.
- (e) All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
- (f) In accordance with the provisions of Article 161 of the Articles of Association of the Company, Mr. G. B. Kathuria and Dr. S. P. Narang, will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges in respect of those Directors seeking election after retiring by rotation at the Annual General Meeting, are given hereunder:

Mr. G. B. Kathuria

Mr. Kathuria has been a Director of the Company since 5th April 1999. He retired as Chairman & Managing Director of Bank of India in the year 1995. He is having vast knowledge and experience in Finance and Banking. He is also the Chairman of the Audit, Asset Sale and Remuneration Committee of the Board of Directors. He is on the Board of:

- (i) PDDL, Indore
- (ii) Rajiv Amrit Mkg. Pvt. Ltd., Jaipur

Dr. S. P. Narang

Dr. Narang has been a Director of the Company since 20th July, 2001. He has done M.Com, PhD, LL.B, FCS, FIMA with consistent good academic record and retired as CEO of the Institute of Company Secretaries of India (ICSI) in the year 2003 and presently associated as Executive Director of APJ Technology Institute. He has been actively involved in education and academic planning, professional development and education programmes, research/suggestions on government regulatory authorities, guidance notes and teaching papers, providing corporate services etc. in the matters mostly relating to corporate management. He has also participated in many international conferences related to Company Law and Secretarial matters.



DIRECTORS' REPORT

To the Members of JCT Limited

Your Directors present the 56th Annual Report together with audited statement of account of the Company for the year ended on 31st March, 2005.

The salient features in respect of financial operations are given here below:

	(Rs. in lacs)	
	2004-2005	2003-2004
Gross Income from operations	64,773	59,251
Other Income	1,870	1,268
Interest & financing charges (net)	2,429	2,592
Profit/(Loss) before depreciation	3,411	898
Depreciation	3,174	3,071
Net Profit/(Loss) before tax	237	(2,173)

The Company has shown all-round improvement in the performance, the gross income have shown a growth of approximately 10% over the preceding year. The profit before depreciation has also shown a significant improvement from Rs.898 lacs in 2003-04 to Rs.3,411 lacs in 2004-05.

OPERATIONS

Textile Division

During the year under review, the turnover and the production at the textile division improved on account of various measures undertaken by the Company like replacement of old NMM looms with Airjet looms, installation of additional processing capacity and improvement in productivity and efficiencies. The working of Sriganganagar unit, which was affected in the preceding year due to labour strike, also normalized during the year.

After commissioning of the second CDR, the Company has doubled its processing capacity to serve high-end market segments of ready-made garments and exports. This also helped in improving the average sales realisation by about Rs.2/- per meter. The cotton prices, which had seen unprecedented rise in the preceding year also came down to reasonable levels and benefited the company in the later half of the financial year. However, other factors like depreciation of dollar vis-à-vis rupee, reduction in DEPB rates and increase in the input costs like chemicals, fuels etc. had offset the saving in the cotton prices.

As a cost reduction measure the division has replaced its conventional coal fired boiler with a new more efficient husk fired thermopak boiler for finishing of fabric being dyed on CDR. Company is also in the process of implementing the 5MW Captive Power Project by attaching Turbines to the existing 35 TPH boiler. This is expected to be operational in the last quarter of the current financial year and would further substantially reduce the power cost for the textile operations at Phagwara. Besides this, the Company has plans to continue with a phased modernization of weaving sheds by replacing old looms with Airjet looms.

Filament Division

During the financial year under review, the Division switched over its entire production capacity of polyester to nylon filament yarn because of better margins in nylon as compared to polyester. After de-bottlenecking of spinning capacity, the total production was 10,004 MT as against 8,297 MT in the previous year. Two more POY lines have been commissioned in March,

2005 and benefits of this additional production will accrue during the current financial year. Due to high crude prices, the prices of caprolactum, which is the main raw material for nylon yarn, have reached a record high and it is expected that prices will remain around this level for some time more. In spite of this increase, the margin over raw material has been maintained. The division was also faced with competition from import of large quantities of yarn mainly from China and Taiwan but there is still a supply and demand gap of this yarn.

This Division has now started export of value added filament yarn to various countries. Once the additional capacities are available, export can be further increased.

During the current financial year, the Division has already taken steps to add further capacity of POY & FDY machines. The Division is also in the process of implementing energy saving measures, which will be in place and completed by October this year. The Batch Poly, which was running on polyester, is also being converted to Nylon during the current year. The division is also putting up a 6MW Captive Power Plant based on rice husk fuel, which would substantially reduce the cost of power consumed. All these steps will add to the profitability of this Division substantially.

Steel Division

The operations of this division had been a drag on the financials of the company for the last several years. This division came into production in the year 1977-78 and the only major expansion was done in the year 1995-96. The Company did not make any further investment into this division since it was found to be non-core business and was not providing any synergies of operations as your company being a textile predominant company. We have been on the look out for the interested buyer for a long time. However, the efforts to locate a buyer did not yield any positive results as the industry was passing through recessionary phase. The division had started showing positive results in the last few months, which is being considered as a temporary phenomenon and due to revival the Company, could negotiate a deal for hive-off of this division. The Business Transfer Agreement has been executed on 16.3.2005 with Usha Martin Limited and the board and shareholders have also approved the hive-off of this division. The process of actual transfer may take some time as the approvals from the appropriate authorities are awaited.

FUTURE PLANS

With the opening up of textile sector after good-bye to the quota regime, textile industry in India has seen larger growth potential. Your Company is also working on various investment plans including increase in nylon filament yarns capacity and also expansion of both spinning and weaving capacities at textile division at Phagwara. The total capital outlay envisaged is to the tune of Rs.200 crores which will be partly funded through equity/term loans.

FINANCE

The Company has been sanctioned a term loan of Rs.23.75 crores by consortium of banks under Technology Upgradation Fund (TUF) during the year to meet requirements of certain capital expenditure which would help in increasing the production capacities at Filament Unit and to produce more processed



fabrics and also to reduce power cost at Textile Division at Phagwara.

The lenders have a positive outlook of the Company and have not only sanctioned additional working capital facilities but have also reduced the interest rates in line with the prevailing interest rates.

Company is regular in repayment of all its debts and do not foresee any problems to meet its commitments in future also. In view of accumulated losses, no dividend on equity and preference shares is being considered.

Fixed Deposit

Out of deposits, which had become due for repayment during the year under review, deposits amounting to Rs. 6.84 lacs remained unclaimed as on 31st March 2005. Of the above, deposits of Rs. 1.13 lacs have been repaid subsequently and Rs.0.33 lacs has been deposited with the Investor Protection & Education Fund as per the proviso of the Section 205C of the Companies Act, 1956.

Consolidated Financial Statements

As required by Accounting Standard 21, the audited Consolidated Financial Statements of the Company are annexed and form an integral part of this Report.

Statutory Disclosures

As required under Section 212 of the Companies Act, 1956, the Statement and Annual Accounts of Subsidiary Companies are annexed and forms an integral part of this report.

The statement of employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not annexed as there are none of the employees drawing salary exceeding the present limits as provided under the Act.

The statement containing the necessary information as required under Section 217(1)(e) of the Companies Act, 1956 read with (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed hereto and forms an integral part of this report.

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is annexed hereto and forms an integral part of this report.

Directors' Responsibility Statement

As required under Section 217 of the Companies Act, the Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) The Directors have 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 at the end of the financial year and of the profit of the Company for that period;
- (iii) The Directors have taken proper and sufficient care, to their best of knowledge and ability, 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; and

- (iv) The Directors had prepared the annual accounts on a going concern basis.

Auditors

M/s. S. P. Chopra & Company, Chartered Accountants, Auditors of the Company, retire and being eligible offer themselves for re-appointment.

Auditors' Report

For the observations made by the Auditors in their report it is mentioned that no provision has been made towards unsecured loans shown as doubtful of recovery of Rs.4,123 lacs and investments of Rs.2,002 lacs in two wholly owned subsidiary companies on account of pending merger of the said subsidiaries with the Company. Further no provision has been made for liability which may arise on invocation of the corporate guarantee of Rs.3,580 lacs given for the term loan facilities to JCT Electronics Limited, the Company promoted by us, as the said Company has gone into BIFR and the proceedings in the court have been stayed.

Cost Auditors

Pursuant to provisions of Section 233-B of the Companies Act, 1956, your Directors have appointed Mr. P. K. Verma AICWA, ACMM, as the Cost Auditors to conduct the Cost Audit of Textile Units at Phagwara and Sriganganagar and Filament Unit at Hoshiarpur. for the year 2005-06. The approval of the Central Government for his appointment is awaited.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. G. B. Kathuria, and Dr. S. P. Narang, retire by rotation and are eligible for re-appointment.

Delisting of Equity Shares

Pursuant to the delisting application submitted to the Stock Exchange at Kolkata, the in-principle approval has since been received.

The Company's equity shares shall continue to be listed on The Stock Exchange, Mumbai (BSE), which has nationwide trading terminals.

Acknowledgment

Your Directors wish to place on record their appreciation for the team spirit, dedication, and commitment shown by the work force of the Company during this year. Their unstinted support has been and continues to be integral to your Company's ongoing growth.

Your Directors express their gratitude to the financial institutions, banks and business associates for their continued co-operation and look forward to their continued support.

For and on behalf of the Board

New Delhi
Dated: June 3, 2005

M.M. Thapar
Chairman & Managing Director



ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors report for the year ended 31.3.2005.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Textile Division, Phagwara

150 Nos Energy efficient tubes in Sulzer weaving shed, 20 Imported industrial impellers on two hot air Stenter machines, 30 Nos Axial flow exhaust fan blades, 7 Electronics stop motion units on speed frame machines by replacing fan motors and steam heating as against Electric heaters in mill's canteen installed.

Filament Division, Hoshiarpur

More inverters installed for various air-handling units and DC drives of four extruders replaced with AC drives.

(b) Additional investments and proposals if any being implemented for reduction in consumption of energy:

Textile Division, Phagwara

500 Nos Energy efficient tubes, 24 Nos imported impellers for hot air Stenter machine & Float dryer machines and 24 Nos Axial flow exhaust fan blades are to be installed. Two suction fans of Auto Coner presently running in star/delta mode to be converted to variable speed inverter drive mode and 18 Nos conventional Ring frames motors to be replaced with energy efficient motors.

Filament Division, Hoshiarpur

To instal inverters on Air Compressors and Chillers, to replace large electric motors with energy efficient motors, to install one oil fired centralized HTM heater in place of various small size electric HTM heaters.

(c) Impact of measures:

On account of the aforesaid steps/measures, considerable savings have been achieved in consumption of energy and other utilities.

(d) Total energy consumption and energy consumption per unit of production:

As per form 'A' attached.

B. PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (FORM 'B')

1. Specific areas in which R&D carried out by the company:

(i) Textile Division, Phagwara

Increase the cleaning efficiency of Blow Room Line & reducing lint loss and the nep removal efficiency of comber, controlling slub & bunches problem in 2/40s combed yarn

and trials to check weight loss/commercial shrinkage in grey to Pre Treatment Range & grey to sanforised stage.

(ii) Filament Division, Hoshiarpur

Developed Nylon FD FOY yarn for knitting machines, special bright denier to replace viscose yarn and Doped dyed yarn to replace conventional dyed yarn.

2. Benefits Derived:

Textile Division, Phagwara

- Improvement in quality of Blow Room cotton.
- Improvement in yarn quality in combed counts.
- Reduction in yarn faults of 2/40s count at fabric stage.

Filament Division, Hoshiarpur

- Reduction in production cost & better sales realization.
- Widening of product range manufactured by Company.
- Increase in productivity.

3. Future plan of action:

The Company has independent R&D department for its textile division as well as for filament unit, which regularly provides suggestions for improvement so as to minimise the cost of products and improve the quality. In case of filament unit, efforts are being made to develop high tenacity mono filament yarn and Nylon FDY yarn.

4. Expenditure on Research & Development:

	Current Year	Previous Year
	Rs.	Rs.
Capital	597,145	169,724
Recurring	7,224,942	6,496,052
	<u>7,822,087</u>	<u>6,665,776</u>
Total R&D Expenditure as a		
Percentage of total turnover	0.12%	0.11%

C. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

(a) Efforts in brief, made towards technology absorption, adaption and innovation.

In the textile division at Phagwara, 4 Airjet Looms of latest technology has been installed and replaced with 24 old NMM Looms. 12 Nos of Microdust collectors were installed on G5 Ring Frames to enhance the quality of Yarn.

(b) Benefits derived

The efforts at product improvement, cost reduction and technology absorption, adaption and innovation have resulted into a larger product range of fabrics, development of new types of filament yarn and reduction in the cost.

(c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).

Not Applicable.

**D. FOREIGN EXCHANGE EARNINGS & OUTGO****(b) Total Foreign Exchange used and earned:****(a) Activities relating to exports, initiatives taken to increase Export, development of new export markets for product services and export plans.**

There have been concerted efforts to maintain exports performance in fabric. The company is also exploring markets for export of Nylon filament yarns.

	Current Year Rs.	Previous Year Rs.
Used	108,687,616	171,152,933
Earned	668,676,161	693,547,913

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION**FORM 'A'****A. POWER AND FUEL CONSUMPTION:**

	Current Year	Previous Year			
1. Electricity			2. Coal/Husk (Boilers)		
(a) Purchased:			Quantity (tonnes)	71,104	70,134
Units	137,525,058	134,693,932	Total Cost (Rs./lacs)	1,377.34	1,217.26
Total Cost (Rs./lacs)	5,370.92	5,406.83	Average Rate (Rs.)	1,937.08	1,735.61
Rate/Unit (Rs.)	3.91	4.01	3. Furnace Oil (Boilers)		
(b) Own Generation:			Quantity (K.Ltrs)	795.32	1,021.07
(i) Through Diesel Generators			Total Cost (Rs./lacs)	101.44	121.87
Units	12,094,761	14,367,697	Average Rate (Rs.)	12,755	11,935
Unit per Ltr of Diesel Oil	3.46	3.48	4. LDO/HSD (Furnaces/DG sets)		
Cost/unit (Rs.)	5.88	4.67	Quantity (Ltrs)	3,005,087	3,912,835
(ii) Through Steam Turbine Generators			Total Cost (Rs./lacs)	630.31	666.24
Units	13,294,460	13,412,305	Average Rate/ltr (Rs.)	20.98	17.03
Total cost of Coal/Rice Husk			5. Other/Internal Generation		
(Rs. in lacs)	173.42	158.36	Steam		
Cost/unit (Rs.)	1.30	1.18	Quantity (tonnes)	195,861	192,359
			Total Cost (Rs./lacs)	1,221.76	1,108.30
			Average Rate (Rs.)	623.91	576.16

B. Consumption per unit of production (Rs.)

Products	Current year		Previous year	
	Electricity	Steam	Electricity	Steam
Filament Yarn/Chips	14.38	1.29	12.48	1.02
Cloth	6.23	2.80	6.63	2.91
Steel Wires	2,040	—	1,971	—
Cotton Yarn	10.20	—	7.88	—



CORPORATE GOVERNANCE REPORT – 2004-2005

1. Company's philosophy on code of Governance

Corporate Governance assumes a significant importance in the business style of JCT. The driving forces of Corporate Governance at JCT are – trust in People, delegation of powers with transparency in its action and the pursuit of Excellence. The Company's goal is to find creative and productive ways of enhancing the trust and confidence of Investors, Customers and Associates, while fulfilling the role of a responsible corporate representative committed to best professional practice in managing the affairs of the Company.

2. Board of Directors

Constitution

The Board of Directors has a mix of Executive and Non-executive Directors. At present the Board comprises of ten directors, which includes three Executive directors out of which two are promoter directors and the other is professional director. Of the remaining seven directors, three are nominee directors namely Mr. Lokanath Mishra, Mr. M. P. M. Menon & Mr. J. N. Pandey of the financial institutions & bank and four independent professional directors namely Mr. G. B. Kathuria, Mr. Mahesh Sahai, Mr. A. S. Dugal and Dr. S. P. Narang.

Attendance of Directors at Board Meetings & AGM and number of companies in which the director is a member of the Board or its Committees as a member or chairperson thereof during the financial year.

Name of the Director & Designation	Category	Number of Board Meetings		No of other Companies in which a Director	No. of other Committees in which a Member	No. of other Board/ Committees in which a Chairperson
		Held*	Attended			
Mr. M. M. Thapar Chairman & Managing Director	Promoter	7	4	5	—	1
Mr. Samir Thapar Vice Chairman & Managing Director	Promoter	7	3	2	1	—
Mr. Rajmohan Singh Director (Operations)	Executive	7	4	1	—	—
Mr. G. B. Kathuria	Independent Non Executive	7	6	2	4	2
Dr. S. P. Narang	Independent Non Executive	7	7	1	3	1
Mr. Mahesh Sahai	Independent Non Executive	7	4	5	3	—
Mr. A. S. Dugal	Independent Non Executive	7	7	1	1	—
Mr. Lokanath Mishra	Nominee (IFCI)	7	5	3	3	—
Mrs. Prema M. Prasad**	Nominee (UTI)	1	0	—	—	—
Mr. M. P. M. Menon	Nominee (UTI)	6	5	—	1	—
Mr. J. N. Pandey	Nominee (Allahabad Bank)	7	3	1	1	—

* Denotes number of meetings held during the tenure of directorship of each Director.

** Ceased to be a Director on the Board of the Company during the year.

The last AGM held on September 29, 2004 was attended by Mr. G.B. Kathuria Mr. A. S. Dugal, Dr. S.P. Narang and Mr. M. P. M. Menon.

Date and number of Board Meetings held

The Board met seven times during the year on April 30, 2004, July 30, 2004, September 29, 2004, October 28, 2004, January 31, 2005, February 7, 2005 and March 31, 2005.

3. Audit Committee

Constitution

The audit committee consists of three independent directors and nominee director of IFCI. At present the committee consists of Mr. G.B. Kathuria, Mr. Mahesh Sahai & Dr. S.P. Narang, independent directors and Mr. Lokanath Mishra, nominee of IFCI. Mr. Samir Thapar, Vice Chairman & Managing Director, Mr. Rajmohan Singh, Director (operations) are the permanent invitees. The statutory Auditors, Cost Auditors and Mr. V. K. Mangla, G.M. (Internal Audit) of the Company also attend the meetings. The meeting is chaired by Mr. G. B. Kathuria, who is an independent director.

Terms of reference

Keeping in view the provisions of section 292A of the Companies Act, 1956 and matters specified under clause 49 of the Listing Agreement with Stock Exchanges, terms of reference are as under:

- To select and recommend appointment of the statutory auditors and cost auditors.
- To review reports of the internal audit department & decide about the scope of work.
- To meet statutory and internal auditors periodically and discuss their findings, suggestions and other related matters.
- To review financial statements and to seek clarifications etc. from the statutory/ internal auditors.
- To review the adequacy of internal control system.
- To select and establish accounting policies.
- To act as a link between the statutory and internal auditors and the board of directors.



- (h) To review the financial statements before submission to the board of directors.
 (i) Generally to ensure that tendencies for extravagance, if any, are avoided.

Date and number of Committee Meetings held

The audit committee met four times during the year on April 30, 2004, July 30, 2004, October 28, 2004 & January 31, 2005.

Attendance of Directors

Name of the Committee Member	No. of meetings held*	No. of meetings attended
Mr. G. B. Kathuria	4	3
Dr. S. P. Narang	4	4
Mr. Mahesh Sahai	4	2
Mr. Lokanath Mishra (IFCI)	4	4

*Denotes number of Meetings held during the tenure of Directorship of each Director.

4. Remuneration Committee

Terms of reference

To recommend/review the remuneration package of the Managing/whole time Director based on performance and keeping in view the applicable provisions of the Companies Act, 1956.

At present, the committee consists of Mr. Mahesh Sahai, Mr. G.B. Kathuria & Dr. S.P. Narang, independent directors and Mr. Lokanath Mishra, nominee of IFCI. The committee meeting is chaired by Mr. G.B. Kathuria who is an independent director.

Attendance of Members

Remuneration Committee met two times during the year on April 30, 2004 and January 31, 2005.

Name of the Committee Member	No. of Meetings held	No. of Meetings attended
Mr. G. B. Kathuria	2	2
Dr. S. P. Narang	2	2
Mr. Mahesh Sahai	2	1
Mr. Lokanath Mishra	2	2

Remuneration Policy

Remuneration policy is aimed at attracting and retaining high caliber talent. The policy therefore, takes into account the remuneration trends and the competitive requirement of its business. The objective of remuneration policy is to retain the best talent and seeks to leverage performance in a significant manner.

Details of remuneration of Directors

The details of remuneration paid to the Executive Directors during the year are given below:

	(Rs.)
Mr. M. M. Thapar - Chairman & Managing Director	1,427,698
Mr. Samir Thapar - Vice Chairman & Managing Director	825,441
Mr. Rajmohan Singh - Director (Operations)	983,561

Executive Directors are under service contracts on terms and conditions as approved by the Board /shareholders from time to time and the remunerations as permissible under the provisions of the Companies Act, 1956. The Non-executive Directors are paid sitting fee of Rs.3000/- for attending each meeting of the committee and Rs.5000/- for each meeting of the Board.

5. Shareholders Committee

At present, the Committee consists of Dr. S. P. Narang, Mr.A. S. Dugal, Mr.G. B. Kathuria, all Non-Executive Directors and Mr. Samir Thapar, Vice Chairman & Managing Director. The said committee meets normally once in three months to oversee proper redressal of grievances of shareholders /investors and compliance of stipulation in the matter of listing of shares with stock exchanges/depositories etc. To approve the matter of transfer/transmission of shares/debentures, sub-division/consolidation and issue of new/duplicate share/debenture certificate etc., the committee consisting of Mr. S. K. Singhal, Executive Director and Mr. S.C.Saxena, Company Secretary have been authorized.

Name of the Non-Executive Director heading the Committee

Dr. S. P. Narang, Director

Name & Designation of Compliance Officer

Mr. S.C. Saxena, Company Secretary.

Number of complaints received, not solved & shares pending transfer

In total 15 complaints were received and replied to the satisfaction of shareholders during the year under review. There was no pending complaints as on 31st March, 2005. There is no share transfer or any other correspondence pending for more than fifteen days as on the date of this report.

6. General Body Meetings

The last three Annual General Meetings of the company were held at 12.30 p.m. on September 30, 2002, August 29, 2003 and September 29, 2004 at the registered office of the Company at Village Chohal, District Hoshiarpur, Punjab.

Resolutions through postal ballot

Pursuant to Section 192 A(2) of the Companies Act, 1956, an ordinary resolution relating to the sale of Company's Steel Division situate at Village Chohal, Dist. Hoshiarpur (Punjab) passed through Postal Ballot was approved by the shareholders



with the requisite majority as detailed below and taken on record on 31.3.2005. Mr. Sanjiv Gupta, partner of M/s. S.P. Chopra & Co., the statutory auditors was appointed to scrutinize the Postal Ballot Voting process.

Details of Voting Pattern

Particulars	No. of Postal Ballot	No. of Shares	%age of Votes
(a) Total Postal Ballot Forms received	1769	190267099	
(b) Postal Ballot Forms with Assent for the resolution	1615	189920286	99.82%
(c) Postal Ballot Forms with Dissent for the resolution	47	46450	0.02%
(d) Invalid Postal Ballot Forms	107	300363	0.16%

7. Disclosures

The details of materially significant related party transactions

As disclosed in the enclosed financial statements.

Details of non-compliance, penalties etc. imposed by Stock Exchange, SEBI etc. on any matter related to capital markets, during the last three years

There were no cases of non-compliance of any matter relating to capital market and or any other related agencies during the last three years.

8. Means of Communication

- (a) Quarterly Results : Through publication
- (b) Newspapers wherein results normally published : The Financial Express, The Tribune (Hindi & Punjabi)
- (c) Any Website, where displayed : Yes, on the web site of Mumbai Stock Exchange
i.e. www.bseindia.com and SEBI web-site
i.e. www.sebiedifar.nic.in
- (d) Whether it also displays official news releases and the presentations made to institutional investors or to analysts : Yes

9. General shareholder information

AGM : 56th Annual General Meeting
Date : 30th September, 2005
Time : 12.30 p.m.
venue : Village Chohal, Distt. Hoshiarpur (Punjab)-146 024

Financial Year 2005-06

Un-audited results for quarter ending June, 30, 2005 - July, 2005

Un-audited results for quarter ending September, 30, 2005 - October, 2005

Un-audited results for quarter ending December, 31, 2005 - January, 2006

Un-audited results for quarter ending March 31, 2006 - April 2006

Audited results for the year ending March, 31, 2006 - July, 2006

Date of Book Closure : 20th September, 2005 to 30th September, 2005 (both days inclusive)

Dividend Payment Date : Not applicable

Listing on Stock Exchanges : Mumbai Stock Exchange. In principle approval for delisting from CSE has since been received.

Stock Code : 500223 (BSE)

Market Price Data

Month	High	Low
April, 2004	5.30	4.09
May	6.14	3.68
June	4.73	3.56
July	5.65	3.85
August	5.50	4.50
September	6.84	5.00
October	6.90	5.32
November	8.49	5.55
December	11.34	6.82
January, 2005	11.15	7.95
February	13.13	8.86
March	17.00	11.60