



ANNUAL REPORT 2006



JCT LIMITED

**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. S.K. Mandal
 Mr. J. N. Pandey

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

IFCI 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

Rajdhani Trading Co. Limited
 Gupta & Syal Limited
 JCT (International) Pte Limited

Corporate Office

Thapar House
 124, Janpath
 New Delhi - 110 001

Institutions & Bankers

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

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NOTICE

THE 57th ANNUAL GENERAL MEETING OF JCT LIMITED will be held at the Registered Office at Village Chohal, Dist. Hoshiarpur-146 024 Punjab on Wednesday, the 6th day of July, 2006 at 12.30 p.m. to transact the following business:

ORDINARY BUSINESS

To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.

To re-elect Mr. Mahesh Sahai as Director retiring by rotation and pass the following resolution:

"RESOLVED that Mr. Mahesh Sahai be and is hereby re-elected as Director of the Company."

To re-elect Mr. A. S. Dugal as Director retiring by rotation and pass the following resolution:

"RESOLVED that Mr. A. S. Dugal be and is hereby re-elected as Director of the Company."

To appoint Auditors and to fix their remuneration and 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. 1,000,000/- payable in one or more instalments plus service tax as applicable and reimbursement of out-of-pocket expenses incurred."

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED that the consent of the Company be and is hereby accorded pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals as may be required:

- (i) for subscription/acquiring to 50,000 equity shares of Rs. 10/- each aggregating to Rs. 500,000/- of M/s. Nimbua Greenfield (Punjab) Limited (NGPL).
- (ii) for subscription/acquiring/purchase or otherwise the securities of upto 1,105,400 - Zero Coupon Non Marketable Optionally Fully Convertible Bonds of Rs.100/- each aggregating to Rs. 110,540,000/- in Modern Agencies Limited.
- (iii) for investment by way of Inter Corporate Deposit aggregating to Rs. 191,514,800/- with Karam Chand Thapar & Bros Limited".

"RESOLVED further that the Board of Directors of the Company be and are hereby authorised to settle all the matters arising out of and incidental to the above including subscription and/or conversion of debenture application money/inter corporate loans/swap of any such amount into securities or vice-versa but within the limits as mentioned here in above and generally to take all such steps as are necessary to implement this resolution and

to do all such acts, deeds and things in such a manner as the board of directors may deem fit and proper and most beneficial to the Company at their absolute discretion."

By Order of the Board
For JCT LIMITED

New Delhi

Dated : May 31, 2006

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. Mahesh Sahai and Mr. A.S. Dugal, 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. Mahesh Sahai

Mr. Sahai has been a Director of the Company since 4th July, 1995. He is a practicing Chartered Accountant for over 40 years and is expert in Income Tax matters and is the Partner of M/s. V Sahai & Company, Chartered Accountants, New Delhi. He is also the member of Audit and Sale Committees of Directors. He is on the Board/Committees of various companies listed below:



- (i) Delhi Safe Deposit Company Limited
- (ii) Sidharth Travels (P) Limited
- (iii) CNLT (Far East) Berhad, Malaysia

Mr. A.S. Dugal

Mr. Dugal has been a Director of the Company since 29th November, 1996. He retired from a senior position in GIC of India and has vast knowledge and experience in Insurance and Industrial Labour Relations. He is also the member of Shareholders Committee of Directors. He is on the Board of Saraya Sugar Mills Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5**

The Supreme Court has directed that all the hazardous waste generating industries must set up facilities for the disposal of such waste. Accordingly with a view to provide common hazardous waste management facility under the guidance of Punjab Pollution Control Board, the group of industries in Punjab have joined together and formed a special purpose vehicle in the name of *Nimbua Greenfield (Punjab) Limited* to develop and implement the project for disposal of hazardous waste. All the industries are contributing to the share capital of this Company and JCT is also required to contribute Rs.500,000/- in the share capital of the said Company.

Further in view of certain financial commitments related to the group restructuring under Thapar Family Settlement Agreement where Company shall be required to transfer/sell certain existing shares and re-invest the sale proceeds in securities. The total investment envisaged is Rs. 110,540,000/- in the Bonds of Modern Agencies Limited.

The Company had made an investment of Rs.191,514,800/- in Zero Coupon Debentures of Karam Chand Thapar & Bros Limited. The Company received a request from Karam Chand Thapar & Bros Limited for converting this investment by way of Inter Corporate Deposit which shall carry a minimum rate of interest of 6% per annum.

Further pursuant to the amalgamation of Polytex Fibres Trading Limited, Chohal Exports Limited and Kidarnath Kishanchand Finance & Investments Limited, all wholly-owned subsidiary companies and three associate companies namely Narandas Rajaram & Company Limited, Ratendon Investments & Holdings Limited and Teju Holdings Pvt. Limited, with JCT Limited vide Orders dated 29th September, 2005 of the Hon'ble High Court of Punjab at Chandigarh, the investments held by these companies have vested in JCT by operation of law and as envisaged under the Scheme of Amalgamation.

Company held investments as on 31.3.2006 of the aggregate value of Rs.6,892.26 lacs net of provisions for diminution in market value and including Rs.242 lacs in the shares of wholly owned subsidiaries. Company had also given a corporate guarantee for the amount of Rs.3,580 lacs in the year 1996 for certain financial facilities given to JCT Electronics Limited by IFCI. The said corporate guarantee although has been invoked by IFCI but JCT Electronics Limited having been registered under BIFR the court proceedings have been stayed.

The making of envisaged investments as mentioned here in above would exceed the limits as stipulated under Section 372A of the Companies Act, 1956.

The Board of Directors recommends this resolution to be passed. None of the Directors of the Company are deemed to be interested in the said resolution.



DIRECTORS' REPORT

To the Members of JCT Limited

Your Directors present the 57th Annual Report together with audited statement of account of the Company for the year ended on 31st March, 2006.

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

	(Rs. in Million)	
	2005-2006	2004-2005
Gross Income from operations	5,619	6,477
Other Income	308	189
Profit on sale of Steel Division	13	-
Interest & financing charges (net)	195	243
Profit/(Loss) before depreciation	363	341
Depreciation	239	317
Net Profit/(Loss) before tax	124	24

The operations for the year ended 31.3.2006 are not comparable with those of 31.3.2005 as during the year ended 31.3.2006, the operations of Steel Division are only for 2 months i.e. April-May, 2005. The Steel Division was hived off during the year pursuant to the Business Transfer Agreement entered on 16th March, 2005 with M/s. Usha Martin Ltd.

DIVIDEND

In view of carry over losses, the Directors are unable to recommend any dividend.

OPERATIONS

Textiles

During the year under review, the turnover and the production at the textile unit at Phagwara improved. After commissioning of the 2nd CDR the unit has been able to produce more value added fabric and cater to high-end market segments of ready-made garments and exports. As part of modernization, the unit has also added 3 more Airjet looms by replacing old NMM looms. The capacities of all the departments are fully utilised. The rising cost of power from the State Grid has been an area of concern. The unit has now commissioned steam based 5.5 MW Captive Power Plant during February, 2006, which is generating 1,10,000 units per day and has resulted in substantial saving in the power cost. The Company has also received approval for sale of carbon credits which will supplement the revenue.

The working at Sriganganagar unit was affected as the workers went on an illegal strike during December, 2005, which was called off in March, 2006. But for this strike, which continued for almost three months, the production and sales of the textile division would have been better.

Filament Yarn

Due to rise in crude prices, the prices of caprolactum which is the main raw material for nylon yarn continued to rise during the year. The rise in raw material costs could not be fully passed on as there was resistance from the consumers of nylon yarn who started looking for alternate yarns and fibres. As such the margin of the filament division remained under pressure during the year. The division also faced competition from imports of nylon yarn from China and Taiwan. As a cost reduction measure the unit commissioned Centralized Heating System, an energy saving device. The unit also converted its Polyester Batch Polymerisation plant into Nylon to increase the production

capacity of nylon chips. The unit has started work on 6 MW steam based captive power plant, which is likely to be commissioned in the 2nd quarter of the current financial year. Once it is commissioned, the power cost of the unit would reduce substantially. These steps would go a long way in improving the profitability of the unit.

FUTURE PLANS

Company has chalked out a major modernization and expansion programme briefly as under:

- (a) **Phagwara Textile Mill:** Company has planned to replace old set up of spinning, weaving and processing machineries with the new ones of latest technology with a view to move away from low value fabrics towards export quality fabrics of international standards where margins are better.
- (b) **Hoshiarpur Nylon Filament Yarn Unit:** Plan involves setting up of a 6 MW steam based Captive Power Plant (work on which has already been initiated), new Polymerisation plant with capacity of 45 TPD and 12 TPD of spinning capacity to cater to growing demand of high quality yarns currently being imported from other countries by the users. Part of the expanded capacity would also cater to our own requirement for producing 100% nylon fabrics.
- (c) **100% Synthetic Fabrics Project at Phagwara:** This will be a Greenfield project as there are no manufacturers of these kind of sportswear and fashionwear fabrics in South Asia. The facility is intended to meet the requirements from major global brands. Initial capacity of the unit would be 50,000 meters per day.

The gestation period for above facilities is expected to be 9 to 15 months. Total investment for above plans is estimated at Rs. 298 crores. With the implementation of above production facilities the Company is targeting to achieve turnover of over Rs. 1000 crores with substantial improvement in profitability.

FINANCE

During the year, the Company availed balance amount of term loans of Rs.92 million out of the fresh loans of Rs. 238 million sanctioned by the banks under Technology Upgradation Fund (TUF) Scheme to complete the capital expenditure plan of Rs. 318 million initiated during 2004-05. In addition, the Company also availed of short term unsecured loans of Rs. 300 million. During the year, the Company repaid the term loan instalments of Rs. 114 million. Zero Rate Debentures (ZRDs) of Rs. 75 million and Preference Share Capital of Rs. 10 million were also redeemed as per stipulated terms. The Company is regular in repayment of loan instalments and interest to all the lenders.

The consortium of banks sanctioned enhanced working capital facilities (including non-fund) of Rs. 1,232 million as against Rs. 946 million as per previous approvals.

The Company, as mentioned above, has planned expansion and modernisation of its textiles and nylon yarn production facilities. To part finance this, the shareholders in the meeting held on 5th August, 2005 had approved raising of money by way of equity or equity linked securities. The Board has pleasure in informing the shareholders that the Company successfully raised US\$ 30 million (Rs. 1338 Million @ US\$1=Rs. 44.62) by way of 2.5% Foreign Currency Convertible Bonds (FCCBs) during first week of April 2006. Balance requirement of funds is



proposed to be raised through term loans from banks under TUF Scheme.

Fixed Deposit

Deposits amounting to Rs. 5.89 lacs remained unclaimed as on 31st March, 2006. Of the above, deposits of Rs.0.95 lac have been repaid/renewed subsequently and Rs.0.06 lac 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 alongwith the report of the Board of Directors and respective Auditors' Reports 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 Companies (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 and Management Discussions and Analysis are annexed hereto and form an integral part of this report.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956 this is to 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) Such accounting policies have been selected and applied consistently and judgments/estimates made 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) Proper and sufficient care have been taken with best of knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared 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. The Audit Committee and the Board of Directors recommended the re-appointment of M/s. S. P. Chopra & Company as the Auditors of the Company.

Auditors' Report

For the observations made by the Auditors in their report it is clarified that no provision is required to be made for liability arising on account of the invocation of the corporate guarantee of Rs. 3,580 lacs given to financial institution 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 has been stayed. Further, diversion of short term funds to long term uses is temporary and the company has raised funds by way for FCCB issue in April, 2006.

Cost Auditors

Pursuant to provisions of Section 233-B of the Companies Act, 1956, your Directors with the approval of Central Government 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 the Filament Unit at Hoshiarpur, for the year ended 31st March, 2006.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Mahesh Sahai, and Mr. A. S. Dugal, retire by rotation and are eligible for reappointment.

Mr. M. P. M. Menon nominated by UTI ceases to be director and the Board places on record its appreciation for valuable contribution made by Mr. Menon. He was also a member of the Asset Sale Committee of Directors.

IFCI Limited has nominated Mr. S. K. Mandal on the Board of the Company in place of Mr. Lokanath Mishra. Board places on record its appreciation for valuable contribution made by Mr. Mishra. He was also a member of the Audit, Asset Sale and Directors' Remuneration Committee.

Amalgamation

Pursuant to the orders passed by the Hon'ble High Court of Punjab on 29.9.2005 M/s. Polytex Fibres Trading Company Limited, Chohal Exports Limited, Kidarnath Kishanchand Finance & Investments Limited, the wholly-owned subsidiary companies and Narandas Rajaram & Company Limited, Ratendon Investments & Holdings Limited and Teju Holdings Pvt. Limited, associate companies stand merged with the Company w.e.f. 1.4.2005. No shares have been allotted to the shareholders of these companies in terms of Scheme of Amalgamation.

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

Samir Thapar

Dated: May 31, 2006

Vice 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 31.3.2006.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Textile Division

5.5 MW steam based power turbine started during February 2006 generating 110,000 units per day approx. thereby saving in power cost substantially as compared to cost of power from PSEB, 10 Nos. axial flow energy saving fans installed on stenter machine thereby saving 480 units per day and power factor improved upto 0.97/0.98 by adding and readjusting the existing capacitors.

Filament Division

200 Nos energy efficient tube lights installed in place of conventional tube rods and Electrical Dowtherm heaters converted to oil based centralized heating system to save cost.

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

Textile Division

Modernisation of busbar in sub-station and shifting of transformer to sub-station, upgradation of TFO machines with energy efficient motors and installation of new screw compressor with energy efficient compressors of suitable capacity with dryer.

Filament Division

One centrifugal compressor in place of existing reciprocating compressor.

(c) Impact of measures:

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

(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:

Textile Division

Minimization of the weft lines in fabric and also improvement in crocking fasteness of fabric, control on minor warp lines in fabric and new fabric development of rip-stop-rot proof water repellant.

Filament Division, Hoshiarpur

Batchpoly converted from Polyester to Nylon production. Increase in production of yarn by changing double cake to triple cake.

2. Benefits Derived:

Textile Division, Phagwara

Better fastness properties in fabric, improvement in yarn quality parameters and new fabric development as per requirement of defence.

Filament Division, Hoshiarpur

Production enhanced to meet downstream facilities, reduction in production cost & better sales realization and increase in productivity.

3. Future plan of action:

The Company has independent R&D department for its textile division and filament unit, which regularly provides suggestions for improvement so as to minimise the cost of products and improve the quality.

4. Expenditure on Research & Development:

	Current Year	Previous Year
	Rs.	Rs.
Capital	5,036,331	597,145
Recurring	7,556,448	7,224,942
	<u>12,592,779</u>	<u>7,822,087</u>

Total R&D Expenditure as a percentage of total turnover **0.22%** 0.12%

C. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

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

In the Textile Division, 5.5 MW turbine installed to reduce dependence on PSEB for power requirements, 3 Airjet looms of latest technology and 6 Nos of Microdust collectors on G5 Ring frames to enhance the quality of yarn installed.

(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	190,585,398	108,687,616
Earned	442,000,933	668,676,161

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)	74,684	71,104
Units	131,455,275	137,525,058	Total Cost (Rs./lacs)	1,611.94	1,377.34
Total Cost (Rs./lacs)	5,536.88	5,370.92	Average Rate (Rs.)	2,158.34	1,937.08
Rate/Unit (Rs.)	4.21	3.91	3. Furnace Oil (Boilers)		
(b) Own Generation:			Quantity (K.Ltrs)	860.42	795.32
(i) Through Diesel Generators			Total Cost (Rs./lacs)	151.32	101.44
Units	5,517,776	12,094,761	Average Rate (Rs.)	17,586	12,755
Unit per Ltr of Diesel Oil	3.32	3.46	4. LDO/HSD (Furnaces/DG sets)		
Cost/unit (Rs.)	7.44	5.88	Quantity (Ltrs)	1,120,410	3,005,087
(ii) Through Steam Turbine Generators			Total Cost (Rs./lacs)	285.55	630.31
Units	16,020,785	13,294,460	Average Rate/ltr (Rs.)	25.49	20.98
Total cost of Coal/Rice Husk			5. Other/Internal Generation		
(Rs. in lacs)	226.45	173.42	Steam		
Cost/unit (Rs.)	1.41	1.30	Quantity (tonnes)	207,721	195,861
			Total Cost (Rs./lacs)	1,502.67	1,221.76
			Average Rate (Rs.)	723.41	623.91

B. Consumption per unit of production (Rs.)

Products	Current year		Previous year	
	Electricity	Steam	Electricity	Steam
Filament Yarn/Chips	23.57	2.65	14.38	1.29
Cloth	6.66	3.28	6.23	2.80
Steel Wires	2,698	—	2,040	—
Cotton Yarn	12.05	—	10.20	—



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. OVERALL VIEW

- The business efforts during the year were directed towards the improvement in the turnover and the production capacities both at the textile and filament units.
- The Company in the earlier years had undertaken the replacement of 195 NMM Looms with 26 Airjet looms and the installation of 2nd CDR to augment the capacities to produce dyed fabrics.
- During the year Company has commissioned 5.5MW Turbo Generating Sets, 3 Airjet Looms both at Phagwara and 2 Nos. Extruders, one line of FDY and 5 DT Machines at Hoshiarpur.
- The textile and filament units continued their efforts of improving production efficiencies, cost reduction and de-bottlenecking of the existing capacities besides promotion of value added/new product in the market to improve the profitability of the Company.

II. TEXTILES

The products of our manufacture includes 100% cotton, Polyester cotton blended fabrics suitable for direct exports to Europe and USA and also suitable for readymade garments manufactured in India for exports to various international brands. These kinds of products constitute 2/3rd of the total volume.

As far as the sale realization is concerned the price is expected to remain under pressure because of greater competition from new capacity being installed in the country. But the Company is specializing on functional finishes, work wear fabrics for specific focus customers, which influences the realization positively. Our customers' base is also enriched with sales to Nike industries with tremendous growth.

Concerning cost of major inputs, the Washington based International Cotton advisory Committee has projected Cotlook-A index (a measure of international cotton price) to show a healthy rise to 67 cents a pound from present 56 cents. India may remain insulated from this rise to large extent as most of the cotton used is available indigenously.

Apart from the products meant for exports and RMG segments, JCT still manufacture uniform suiting, camouflage for defence, synthetic shirtings for label segments. This segment will continue to remain at same level which still contribute apprx. Rs. 5-6 per meter. With an expansion plan, the production and sales in Export and RMG Segment will be doubled from next financial year.

Area wise sales during the year 2005-06 :

Region	Northern	Western	Southern	Eastern	Exports	Total
Rs. (in million)	990	548	765	389	440	3,132
%age	31.61	17.51	24.43	12.42	14.03	100

Product wise sales of Cloth during the year 2005-06 :

Product	Fabrics				Yarn	Total
	Rmg	Export	Domestic	Institutional		
Rs. (in million)	1,289	440	1,026	122	255	3,132
%age	41.16	14.03	32.75	3.91	8.15	100

III. FILAMENT

Presently the Indian Nylon Filament Yarn (Textile Grade) market stands at around 47,200 TPA. It has witnessed a growth of around 4-5%. All the major players including JCT have expanded / increased their capacities during the year. JCT is one of the two largest players in Indian market having capacity of 12,500 TPA. The smaller players are operating at very low capacity. We are under pressure as market takes its own time to absorb increased capacities. Imports from China, Taiwan, Korea also affect the local margins. Total imports constituted to around 20% of total market size during the year.

With Indian economy growing around 8% of GDP, domestic consumption of textile fibers including nylon textile grade filament yarn is expected to grow at healthy rates. Major players are further planning Modernization and Expansion with latest generation FDY machines. These machines not only give high quality product but also give low cost yarn. These yarns will further give push in demand for Nylon Fabrics and also replace imports of Nylon Fabrics.

Area wise sales of Nylon Filament Yarn during the year 2005-06 :

Region	Northern	Western	Southern	Eastern	Exports	Total
Qty. (MT)	4,219	5,199	26	1,542	154	11,140
Rs. (in million)	849	1,049	4	312	32	2,246
%age	37.80	46.71	0.18	13.89	1.42	100



Product wise sales of Nylon Filament Yarn during the year 2005-06 :

Product	Filament Yarn	Textured Yarn	Dyed Yarn	Total
Qty. (MT)	8,853	1,954	333	11,140
Rs. (in million)	1,785	394	67	2,246
%age	79.48	17.54	2.98	100

Higher International Crude prices and stronger demand of Polyamides in engineering plastics keeps the prices of Raw Material on higher side. Due to higher raw material prices the prices of Nylon Filament Yarns remains on higher side, which is affecting the growth of demand of Nylon Filament Yarn as weavers look for alternative cheaper yarns and fibres. However the demand of Textile Grade Nylon in India is expected to grow with the up coming of Modern FDY yarns and also products like seamless, hosiery applications of demand of Nylon are picking up.

JCT has also planned entry into growing sector of Engineering plastic with commissioning of its third polymerization unit. The excess polymer will be sold to Nylon Engineering plastic sector. Industry is gradually coming to levels of international capacity size and is expected to improve upon the export performance in coming years.

During the union budget 2006-07 the excise duty on yarns has been reduced to 8% but on raw material it has been retained at 16%. This has created an anomaly and industry is not able to avail full benefit of cenvet. The industry has put forward the case to finance ministry for removing the anomaly and rationalize the inverted excise duty structure. Till the time same is corrected the margins are likely to be under pressure.

IV. INTERNAL CONTROL SYSTEMS

1. The Company has in place proper and adequate internal control systems and procedures to ensure efficacy of decisions for optimal utilization and protection of resources and compliance with applicable statutory laws and regulations as also internal policies. Continuous efforts are being made to upgrade the systems and procedures and to further improve compliances.
2. The Company's systems and processes in all areas are regularly reviewed by Internal Audit Team and their reports are placed before the Audit Committee of Board of Directors.
3. Management information reports are compiled every month for analysis and review of performance and to enable implementation of corrections wherever required. Quarterly reports are also discussed at the Audit Committee Meetings.

V. HUMAN RESOURCES

1. The overall HR effort was directed towards upgrading technical skill levels and teamwork and increase manpower productivity.
2. The system of annual appraisals, key performance areas and job description continue to be implemented.

VI. CORPORATE SOCIAL RESPONSIBILITY AND CONSERVATION OF RESOURCES.

Company is conscious of its responsibility to the society at large and to its employees in each of its units. Adequate arrangements have been made for the safety in respect of air, water and noise pollution etc. Company at all its units have residential colonies for workmen and staff. Company is also running primary schools at Phagwara and Hoshiarpur.

VII. FUTURE PLANS & OUT LOOK

The Company has plans for expansion at its both Textile and Filament Yarn units in its efforts for continued growth of business, turnover and profitability to the tune of Rs. 2,370 million and setting up of a 100% Greenfield Synthetic Fabrics Plant with an estimated cost of Rs. 610 million.

VIII. STATEMENT OF CAUTION

Representations and statements made under 'Management Discussions and Analysis' is based on the projection and expectation on the basis of present market conditions. Actual results may materially differ due to several factors which could influence the Company's business operations such as demand and supply conditions, prices of input, changes in Government levies and regulations, industrial relations and other economic developments in the country.