

JCT

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Annual Report 2006 - 2007

(ABRIDGED)



JCT LIMITED

**Board of Directors**

Mr. Samir Thapar

Mr. Rajmohan Singh

Mr. Mahesh Sahai

Mr. Gordhan Kathuria

Mr. Apar Singh Dugal

Dr. Satya Pal Narang

Mr. Sujit Kumar Mandal

Vice Chairman & Managing Director

Director (Operations)

IFCI 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)

: Sriganaganagar (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

Registrar & Share Transfer Agents

RCMC Share Registry Pvt. Ltd.

B-106, Sector-2

Noida-201 301

Tel.: 95120-4015880

Fax: 95120-2444346

e-mail: shares@rcmcdelhi.com

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

Contents

Notice	2
Directors' Report	3
Management Discussion & Analysis	7
Corporate Governance	9
Statement under Section 212	15
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Significant Accounting Policies	22
Consolidated Financial Statements	30
Accounts-Subsidiary Companies	43

**NOTICE**

THE 58th ANNUAL GENERAL MEETING OF JCT LIMITED will be held at the Registered Office at Village Chohal, Dist. Hoshiarpur (Punjab) on Friday, the 28th day of September, 2007 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, 2007 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 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."
5. To consider and if thought fit, to pass the following resolution with or without modification as an **ORDINARY RESOLUTION**:
"RESOLVED that in modification of the resolution passed by the Company pursuant of the provisions of Section 293(1)(d) of the Companies Act, 1956, the consent of the Company in terms of the aforesaid Section of the Act be and is hereby accorded to the Board of Directors of the Company (the Board) borrowing from time to time for the purpose of Company's business any sum or sums of money as it may deem fit and proper notwithstanding that the moneys to be so borrowed together with moneys already borrowed by the company, if any, (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, if any, that is to say, reserves not set apart for any specific purpose provided that the total amount of the moneys to be so borrowed by the Board together with moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs. 750 Crores (Rupees seven hundred fifty Crores only) outstanding at any one time and that for the implementation of this Resolution the Board may act through any member thereof or any other person duly authorised by the Board in that behalf."

By Order of the Board
For JCT LIMITED

Place : New Delhi
Dated: July 26, 2007

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/her 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 holdings.
- (c) The Share Transfer Books and Register of Members of the Company shall remain closed from September 24, 2007 to September 28, 2007 (both days inclusive).
- (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 re-election on retirement 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 also Director on Board of Rajiv Amrit Marketing Pvt. Limited.

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 Sr. Professor and Director of Jagannath International Management School, New Delhi (JIMS). 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. He is also on the Board of DSE Financial Services Limited and Prithvi Information Solutions Limited.

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

A resolution was passed at the Annual General Meeting of the Company held on 30.09.1993 authorizing the Board of Directors to borrow upto a limit of Rs.550 Crores over and above the aggregate of the Paid-up Capital of the Company and its free reserves. In view of the on-going expansion/modernization of the business activities, the Company may be required to borrow in future even in excess of the said limits. The borrowing limit is, therefore, proposed to be increased upto Rs.750 Crores over and above the aggregate of the Paid-up Capital of the Company and its free reserves. The resolution is recommended for your approval.

None of the Directors of the Company is concerned or interested in the resolution.



DIRECTORS' REPORT

To the Members of JCT Limited

Your Directors present the 58th Annual Report together with audited statement of account of the Company for the year ended on 31st March, 2007.

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

	(Rs. in Million)	
	2006-2007	2005-2006
Gross Income from operations	5,548	5,619
Other Income	149	308
Profit on sale of Steel Division	—	13
Interest & financing charges (net)	203	195
Profit/(Loss) before depreciation	308	363
Depreciation	180	239
Net Profit/(Loss) before tax	128	124

DIVIDEND

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

OPERATIONS

During the year, the gross turnover of the Company comprising of Textile Units and Filament Unit was marginally higher by about 2% as compared to immediately preceding year. The previous year included the turnover of Steel Division also for two months which has since been hived off. Operational profit before depreciation and excluding the other income is higher during the year as compared to previous year. However, Net Profit before tax is almost the same as in the previous year.

Textile Units

The production of fabric at Textile Unit at Phagwara was lower during the year as compared to previous financial year due to ongoing modernization programme, which required dismantling and re-locating some of the existing machinery resulting into loss of production. The margins, however, improved during the year on account of change in product mix. The 2nd CDR, which was commissioned during 2005-06, has helped the Unit to produce more dyed fabrics and cater to high end market segments of ready made garments and exports.

Major investments were made in the Textile Unit at Phagwara including the setting up of a Greenfield 50,000 Meters per day Performance Fabric Unit based on Nylon & Polyester Filament Yarns. The fabric produced out of this unit will cater to Sports-wear, Active-wear, Work-wear and other segments requiring Performance Fabric. With sampling under progress with some of the leading International Brands, the Plant is likely to come into full commercial production by October, 2007.

One-third of the total production capacities in the existing Plant at Phagwara catering to the low-end Domestic segments were old. This capacity is now being replaced with State-of-the-art Machines in Spinning, Weaving and Processing. This includes the addition of 20,000 new spindles, 82 Airjet/Rapier looms and another set of Pre-Treatment and Continuous Dyeing Ranges. With this, total production of export quality fabric would increase

from 2 Million meters a month to 3.2 Million meters per month. All the machines under the Modernization Plan are expected to be commissioned by mid-August, 2007. After completion of the modernization, the unit will be totally focused on processed fabric which has better margins and is required by International Brands.

Under the Modernization-cum-Expansion Plan, the Company is adding another 50 Ton Husk Fed Boiler and simultaneously putting up an 8 MW Turbine. This would make Textile Operations at Phagwara almost self-sufficient for their energy requirement. The said 50 Ton Boiler and 8 MW Turbine are likely to be commissioned by end of December, 2007.

With the above investments, the profitability of the Textile Unit at Phagwara is likely to go up by almost 70%.

The working at Textile Unit at Sriganganagar, which was effected due to strike in the previous financial year, has been normal during the financial year 2006-07. However, as the machinery of the Unit is very old, the yarn and fabrics produced by it cater to low end market segments only, where margins are very negligible.

Recently the labour at the Textile Unit at Sriganganagar has gone on illegal strike. Management is in serious negotiation with the Labour Unions to sort out the matter on long term basis so that production is not effected due to their frequent strikes or go-slow tactics.

Filament Unit

The demand for Nylon Yarn continued to remain sluggish during the financial year. The product also faced competition from imports of yarn at cheaper rates. This resulted into under utilization of the capacities at the unit. However, the profit margins at the unit improved on account of better product mix, improvement in efficiencies of FDY production and commissioning of 6 MW power plant. The power plant is also eligible for carbon credit.

Looking to the sluggish market condition, the new investment for capacity enhancement was kept in abeyance. However, keeping in mind the objective of cost savings and improvement in the quality it is proposed to add new FDY lines and increase capacity of high value added dyed yarns alongwith other energy saving devices.

FINANCE

During the year, Company issued 2.5% Foreign Currency Convertible Bonds (FCCB) aggregating to US\$ 30 Million for financing the capital expenditure for the expansion and modernization of its operations. As per the terms of the issue, the bondholders have the option to convert the FCCBs into fully paid-up equity shares during the currency of these Bonds. These Bonds, otherwise, are redeemable on 8.4.2011 at a premium of 20.075%.

Company has also been sanctioned term loans of Rs. 1,800 million by the consortium of banks under Technology Upgradation Fund (TUF) for the modernization cum expansion plans for the Company's Textile and Filament Units. To tide over the urgent requirement of funds for capital expenditure, a short



term loan of Rs. 200 Million from a Bank is being repaid out of the term loans sanctioned as aforesaid.

During the year the Company repaid the term loan instalments of Rs. 138.69 Million. Zero Rate Debentures (ZRDs) of the value of Rs. 678.46 Million were also redeemed as per stipulated terms. The Company is regular in repayment of loans/redemption of debentures and interest due thereon to all the lenders/holders.

Fixed Deposit

Deposits amounting to Rs. 1.18 Million remained unclaimed as on 31st March, 2007. Of the above, deposits of Rs. 0.68 Million have been repaid/renewed subsequently.

Consolidated Financial Statements

As required by Accounting Standards AS21 prescribed by the Institute of Chartered Accountants of India, the audited Consolidated Financial Statements of the Company and its subsidiaries are annexed and form an integral part of this Report.

Statutory Disclosures

The Statement and Annual Accounts of Subsidiary Companies alongwith the report of the Board of Directors and respective Auditors' Reports as required under Section 212 of the Companies Act, 1956 are annexed hereto and forms an integral part of this report.

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in a separate Annexure to this Report. The Annexure is not being sent alongwith this Report to the Members of the Company in line with the provisions of Section 219(1)(b)(iv) of the said Act. Members who are interested in obtaining these particulars may write to the Company Secretary.

The statement containing the information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo 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 are annexed hereto and forms an integral part of the report.

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance and Management Discussions and Analysis are annexed hereto and forms 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 explanations 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 recommend 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 Million given to a financial institution for the term loan facilities to JCT Electronics Limited, the Company promoted by us, as the rehabilitation scheme of the said Company has been approved by the BIFR and is under implementation.

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 Filament Unit at Hoshiarpur, for the year ended 31st March, 2007.

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 being eligible offer themselves for re-election.

Acknowledgement

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 institution, banks and business associates for their continued co-operation and look forward to their continued support.

For and on behalf of the Board

Place : New Delhi
Dated: July 26, 2007

Samir Thapar
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 31.03.2007.

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Textile Division

The Phagwara Unit had installed a Heat Exchanger with which consumption of steam on Pre Treatment Range (PTR) was reduced.

Filament Division

Unit has installed 6 MW Biomass Fuel based Co-generation Power Plant. 8 Tons extraction steam generated in the Power Plant is used for process in the Plant, one Centrifugal Compressor installed in place of existing reciprocating compressors and two Vapour Absorption Machines (VAM) installed to replace centrifugal chillers.

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

Textile Division

The Phagwara Unit has placed order for 8MW Power Turbine and civil work has commenced which will reduce the cost of power. Thermopac VTF-30 to be installed and run on husk and to replace the inefficient coal fired units, reciprocating compressors being replaced with more efficient screw type compressors. Most of the tube light fittings are being replaced with more efficient electronic chokes. Modern production machinery is being installed with energy efficient controls. Electrical distribution being altered to meet the requirements of new load centers.

Filament Division

One Centrifugal Compressor will be installed to replace more reciprocating compressors, one Vapour Absorption Machine (VAM) will be installed to replace reciprocating Brine Chilling Machines, variable frequency drives will be installed in Power Plant to save energy. Optimization of complete lighting to be done.

(c) Impact of Measures:

On account of aforesaid steps/measures, considerable savings have been achieved in respect of per unit consumption of 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

Control of Short Thick End/Thick Weft in Ring Yarn, minimization in % scouring loss and new fabric development in Defence supply, reduction in scales formation on machine, improvement in perspiration fastness and control of contamination in cotton sorts.

Filament Division

Modification of two POY lines for production of various FOY (Fully Oriented Yarn) products, development of several new spin draw FDY products and development of Dope Dyed Crimp Yarn products.

2. Benefits Derived:

Textile Division

Improvement in yarn quality parameters to meet requirement of defence parameters and new fabric development as per requirement of defence, to increase the life of machine, improvement in fabric quality parameters - fastness parameters and improvement in fabric appearance/quality.

Filament Division

Reduction in the cost of production and better sales realization, wider product range to cater to the needs of various market segments and presence in international market with Dope Dyed Crimp Yarn products.

3. Future plan of action:

The Company has independent R&D Department for its Textile Division & Filament Division, 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	123,403	5,036,331
Recurring	8,171,687	7,556,448
	<u>8,295,090</u>	<u>12,592,779</u>

Total R&D Expenditure as a

Percentage of total turnover 0.15% 0.22%

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(a) Efforts in brief, made towards technology absorption adaptation and innovation:

Textile Division

To meet the challenges of the world, new latest technology state of the art machines have been adopted and installed in the mill to produce as well as to reduce the cost of the fabric of the desired quality.

Filament Division

6MW Biomass Fuel based Co-generation Power Plant installed to reduce dependence on PSEB for power requirements.

(b) Benefits derived:

The efforts at product improvement, cost reduction and technology absorption, adaptation and innovation have resulted into a larger product range of fabrics, development of new type 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****(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 export performance in fabric. The Company has also increased impetus of exports of nylon filament yarn. Efforts are being made to further explore for more markets.

(b) Total Foreign Exchange used and earned:

	Current Year (Rs.)	Previous Year (Rs.)
Used	1232,965,312	190,585,398
Earned	681,486,983	442,000,933

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)	100,381.05	74,684.30
Units	102,229,376	131,455,275	Total Cost (Rs./lacs)	2,625.55	1,611.94
Total Cost (Rs./lacs)	4,314.64	5,536.88	Average Rate (Rs.)	2,615.58	2,158.34
Rate/Unit (Rs.)	4.22	4.21	3. Furnace Oil (Boilers)		
(b) Own Generation:			Quantity (K.Ltrs)	2,115.17	860.42
(i) Through Diesel Generators			Total Cost (Rs./lacs)	399.26	151.32
Units	1,535,523	5,517,776	Average Rate (Rs.)	18,876.13	17,586.00
Unit per Ltr of Diesel Oil	3.31	3.32	4. LDO/HSD (Furnaces/DG sets)		
Cost/unit (Rs.)	8.73	7.44	Quantity (Ltrs)	360,980.00	1,120,410.00
(ii) Through Steam Turbine Generators			Total Cost (Rs./lacs)	103.32	285.55
Units	49,563,470	16,020,785	Average Rate/ltr (Rs.)	28.62	25.49
Total cost of Coal/Rice Husk			5. Other/Internal Generation		
(Rs. in lacs)	1,055.09	226.45	Steam		
Cost/unit (Rs.)	2.13	1.41	Quantity (tonnes)	341,205.57	267,854.00
			Total Cost (Rs./lacs)	2,455.07	1,502.67
			Average Rate (Rs.)	719.53	561.00

B. Consumption cost per unit of production (Rs.)

Products	Current Year		Previous Year	
	Electricity	Steam	Electricity	Steam
Filament Yarn/Chips	19.10	4.93	23.57	2.65
Cloth	4.46	5.09	6.66	3.28
Steel Wires	—	—	2,698	—
Cotton Yarn	10.67	—	12.05	—



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. OVERALL VIEW

During the year, the Company embarked on a major Modernization-cum-Expansion Programme in the Textile Unit at Phagwara. The Company completed the work of erection of a 50,000 Meters per day Polyester and Nylon Filament based Performance Fabric Plant at Phagwara. This plant would supply Taffeta and other Performance Fabrics for Sportswear, Work wear, Outerwear etc.

Filament Division at Hoshiarpur, also commissioned a 6 MW Turbo Generating Set during the year.

Both Textiles and Filament Division continued their efforts towards cost reduction and capacity optimization.

II. TEXTILES

Two-third of the Production Capacity in the Cotton/Blended Fabrics Plant at Phagwara had been modernized over the last one decade whereas one-third of the capacity catering to the low-end Domestic segments was still based on the old Spinning, Shuttle Looms and Conventional Processing.

The Company had planned for replacement of 456 Shuttle Looms with 82 Airjet/Rapier Looms. The corresponding Spinning was also to be modernized with replacement of 20,000 new spindles. For processing the additional fabric, another Continuous Pre-Treatment Range and Continuous Dyeing Range were planned to be added. Orders were placed for all these Machines during the year and most of the machines were also received towards the end of the Financial Year. The entire new Spinning, Weaving and Processing is expected to be commissioned by mid-August, 2007. This will increase the overall capacity of export worthy processed fabric from 2 million mtrs / month to 3.2 million mtrs per month.

To balance the new processing capacity and to achieve self-sufficiency in power, another 50 MT Boiler with a matching 8 MW Turbine is being put up in the Textile Unit at Phagwara. This shall be operational by end December, 2007.

With a number of new textile capacities coming up in the Country, the selling prices were under pressure. However, JCT could manage to hold on to its price-lines. The depreciation of the Dollar has affected the export realization significantly. The Company has gradually shifted sales from direct Export to Deemed Export and Domestic Sales where the realizations are better.

The International Cotton Advisory Committee has projected Cotlook-A index (a measure of International Cotton Price) showing rise in cotton price to 65 cents a pound from the existing 54 cents. This is likely to impact the cotton prices in the coming season.

The area-wise and segment-wise sales of products during the year 2006-07 were as below:

Area wise Sales during the year 2006-07

Region	Northern	Western	Southern	Eastern	Exports	Total
Rs. (in million)	859	305	956	346	450	2,916
%age	29.46	10.45	32.78	11.87	15.44	100

Product wise Sales of Cloth during the year 2006-07

Product	Fabrics+Garments+FRC+Waste				Yarn	Total
	RMG	Export	Domestic	Institutional		
Rs. in million	1,516	450	803	138	9	2,916
%age	51.99	15.44	27.54	4.74	0.30	100

III. FILAMENT UNIT

Presently the Indian Nylon Filament Yarn (Textile Grade) market size stands at around 3500-3800 tons per month. While overall market has remained stagnant, there has been a shift towards finer deniers. JCT is one of the two largest players in Indian market having capacity of 12,500 TPA. There are smaller players as well operating at very low capacity. Imports constituted around 13% of total market size during the year.

With Indian economy growing at 9% - 10% of GDP, domestic consumption of textile fibers including nylon filament yarn is expected to grow. Major players are further planning Modernization and Expansion with latest generation FDY machines. These machines not only give high quality product but also conversion costs are comparatively very low. Availability of these yarns from indigenous sources will replace imports and also give push in demand for high quality Nylon Fabrics. With continuation of antidumping duty, nylon industry is protected from indiscriminate imports and unhealthy competition.

Area wise sales during the year 2006-07

Region	Northern	Western	Southern	Eastern	Exports	Total
Qty. (MT)	4,495	4,924	46	192	632	10,289
Rs. in million	900	991	12	32	96	2,031
%age	44.32	48.79	0.59	1.58	4.72	100.00



Product wise sales during the year 2006-07

Product	Filament Yarn	Textured Yarn	Dyed Yarn	Total
Qty. (MT)	7,736	2,104	449	10,289
Rs. in million	1,537	425	69	2,031
%age	75.68	20.93	3.39	100.00

During the union budget 2007-08 the excise duty on textile grade nylon yarn was kept unchanged at 8%, however, duty on Caprolactum, the main raw material was reduced from 16% to 12% against industry expectation of 8%. This has given some relief to the industry in terms of unnecessary accumulation of Cenvat credit and has also improved the cash flow position. The industry plans to put forward the case to finance ministry for further rationalizing of excise duty on raw materials so as to remove the duty differential in raw materials vis-à-vis finished goods as applicable in case of other synthetic fibers.

IV. INTERNAL CONTROL SYSTEMS

1. The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Company has 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 procedures in all areas are regularly reviewed by Internal Audit Team and their reports 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 take corrective measures wherever required. Quarterly reports are also discussed at the Audit Committee Meetings.

V. HUMAN RESOURCES

The overall efforts are being made towards upgrading of technical skill levels and teamwork and to increase manpower productivity. The system of annual appraisals, key performance areas and job description continue to be monitored.

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 has residential colonies for workmen and staff. Company is also running primary schools at Phagwara and Hoshiarpur.

VII. FUTURE PLANS & OUT LOOK

The Company is in the process of adding 20,000 new spindles, 82 Airjet/Rapier looms and another set of Pre-Treatment and Continuous Dyeing Ranges for increase in its export quality fabrics resulting into increase from 2 Million meters a month to 3.2 Million meters per month. The Modernization Plan as envisaged by the Company is expected to be completed by mid-August, 2007. The Company has now totally focused on processed fabric which has better margins and is required by International Brands.

The Company for its power energy requirements is adding another 50 Ton Husk Fed Boiler and simultaneously putting up an 8 MW Turbine at Phagwara to make Textile Operations almost self-sufficient. The said 50 Ton Boiler and 8 MW Turbine are likely to be commissioned by end of December, 2007.

Filament Unit has plan to add more lines of latest technology FDY yarns for production of high quality yarns at comparatively much lower conversion cost. It is also planned to double the capacity of high value addition dyed yarns. To reduce energy costs it is planned to replace conventional Chillers with VAM (Vapour Absorption Chillers) maximizing the benefit of steam extraction from the newly installed Power Plant and also to replace reciprocating Compressors with Centrifugal Compressors.

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.

**CORPORATE GOVERNANCE REPORT – 2006-2007****Company's philosophy on code of Governance**

JCT has firm belief that sound corporate governance is essential for the success of its operations in the long term. The success of an organization is a reflection of the professionalism, conduct and ethical values of its management and employees and the Company strives to ensure transparency in all its operations, make disclosures and comply with various laws and regulations.

1. Board of Directors**Composition of Board**

The Board has a strength of seven Directors as on March 31, 2007. The Board has an optimum combination of two Executive and five Non –Executive Directors with considerable professional expertise and experience. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees. Necessary disclosures regarding directorship held in other companies and committee positions as on 31.3.2007 have been made by the Directors.

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	Executive	2	—	5	—	1
Mr. Samir Thapar Vice Chairman & Managing Director	Executive	6	3	3	—	—
Mr. Rajmohan Singh Director (Operations)	Executive	6	4	2	2	—
Mr. Mahesh Sahai	Non Independent Non Executive	6	3	5	3	—
Mr. G.B. Kathuria	Independent Non Executive	6	5	1	4	3
Dr. S.P. Narang	Independent Non Executive	6	6	2	3	1
Mr. A.S. Dugal	Independent Non Executive	6	4	1	1	—
Mr. S.K Mandal Nominee IFCI Ltd.	Independent Non Executive	6	5	2	3	—
Mr. J.N. Pandey*** Nominee Allahabad Bank	Independent Non Executive	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 w.e.f. 15.6.2006.

*** Ceased to be a Director on the Board of the Company w.e.f. 26.7.2006.

The last Annual General Meeting held on July 26, 2006 was attended by Directors of the Company except nominee director of IFCI.

Date and number of Board Meetings held

Six meetings were held during the year ended on 31.03.2007. These were held on May 31, 2006, June 15, 2006, July 26, 2006, September 8, 2006, October 30, 2006, and January 30, 2007.

Code of Conduct

The code of Conduct in line with the provisions of clause 49 of the listing agreement has been framed/adopted by the Board and is applicable to all the members of the Board and Senior Management Executives. The Board Members and Senior Management of the Company have confirmed compliance with the Code of Conduct.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2007.

For JCT Limited

Samir Thapar

Vice Chairman & Managing Director

2. Audit Committee**Constitution**

The audit committee consists of Mr. G. B. Kathuria, Mr. Mahesh Sahai, Dr. S. P. Narang, Mr. S. K. Mandal (Nominee of IFCI) and Mr. Rajmohan Singh, Director (Operations). The Statutory Auditors, Cost Auditor and Mr. V. K. Mangla, G.M. (Internal Audit) of the Company also attend such meetings. Mr. G. B. Kathuria who is an independent director is the Chairman of the Committee.