

FORM A**Format of covering letter of the annual audit report to be filed with the Stock Exchange**

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|-------|--|--|
| S. No | Name of the company | JCT Limited |
| 1. | Annual financial statements for the period ended | 01.10.2013-31.03.2014 (06 Months) |
| 2. | Type of Audit observation | <p>Matter of Emphasis in Auditor Report for the period ended at 31.03.2014</p> <p>a. Note No. 5.2 ; Non provision of yield protection of Rs. 1622.36 lakhs payable on unpaid amount of Foreign Currency Convertible Bonds (FCCBs) for the reasons stated therein and likely impact of winding up petition filed by the FCCB Trustee for non- payment of dues of US\$ 15.00 million equivalent to Rs.9071.91 lakhs since 08.04.2011. Capital Gain on settlement of US\$ 12.93 million FCCBs liability of Rs. 5082.50 lakhs has been directly credited to Reserve and Surplus as Capital Reserve based on legal opinion obtained by the management instead of taking to the Statement of Profit & Loss.</p> <p>b. Note No. 5.3 (b); Delay including clearance of cheques to depositors of Rs. 328.46 lakhs as at 31.03.2014 under section 58A of the Companies Act, 1956.</p> <p>c. Note No. 31.7; Accumulated losses have resulted in erosion of substantial net worth of the Company. However, the financial statements have been prepared on going concern basis on the grounds as disclosed in the Note No. 31.7.</p> <p>d. Note No. 31.10; Non-confirmation/reconciliation of certain balances in trade receivables, advances and trade payables of the Company.</p> |

| | | |
|----|---|---|
| 3. | Frequency of observation | <p>a. Note No. 5.2 reported 3 times. Same was mentioned in Auditor Report of year 2012 and 2013 too.</p> <p>b. Note No. 5.3 (b) reported 2 times. Same was mentioned in Auditor Report of year 2013 too.</p> <p>c. Note No. 31.7 reported five times. Same was mentioned in Auditor Report of year 2010, 2011, 2012 and 2013 too.</p> <p>d. Note No. 31.10 reported 2 times. Same was mentioned in Auditor Report of year 2013 too.</p> |
| 4. | <p>1. Samir Thapar Chairman & Managing Director</p> <p>2. Shri M P S Narang Chief Financial Officer</p> <p>3. Shri Sanjiv Gupta Partner S P Chopra & Company, Chartered Accountants (Statutory Auditors)</p> <p>4. Shri G B Kathuria Chairman – Audit Committee</p> | <p style="text-align: right;">Sd/-</p> <p style="text-align: right;">Sd/-</p> <p style="text-align: right;">Sd/-</p> <p style="text-align: right;">Sd/-</p> |

Place: New Delhi

Dated: 28th August, 2014



JCT LIMITED

ANNUAL REPORT
2013-14



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DIRECTORS' REPORT

To the Members of JCT Limited

The Directors of your Company present the 65th Annual Report on the affairs of the Company together with audited statement of account of the Company for the 6 months period ended 31st March 2014.

The highlights of financial Results for the period are given below:

| | (a in lacs) | |
|--|-----------------------|------------------------|
| | 2013-14 (6 Months) | 2012-13 (18 Months) |
| Gross Income from operations | 49,224 | 1,32,644 |
| Other Income | 482 | 1,636 |
| Profit before Interest, Depreciation, tax and Exceptional Items | 3,664 | 6,288 |
| Interest and financing charges | 1,706 | 5,295 |
| Depreciation and amortization Expense | 1,656 | 7,392 |
| Exceptional Items | | |
| - Profit/ (Loss) of Discontinuing Operations | (51) | (674) |
| - Secured Lenders' Sacrifice | - | (1,622) |
| Provision for Tax | | |
| - Current Period | - | - |
| - Earlier Year | (83) | 82 |
| Net Profit/(Loss) | 334 | (8,777) |

Dividend

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

Operations

The Textile Division at Phagwara operated at an average of 95% of the installed capacity and produced 214.55 lakh meters of fabrics during the six months period ended 31st March 2014. Though the capacity utilisation has improved during the period but the capacities have not been utilized to its optimum level because of shortage of working capital funds. The performance improved substantially in terms of turnover and margins despite increased raw material cost.

The company has since expanded its customer base and has gone deeper with the existing customers to fully secure its production. Marketing strategy has been changing with the time and there has been a shift in product mix accordingly. The company has adopted a strategy of covering cotton to have minimum risk.

There has no operation in Srianganagar since operations have been discontinued in earlier years. Some administrative expenses have been incurred over there to look after the land there.

Filament Unit continues to maintain its position as one of the largest manufacturer of textile grade nylon yarn in India with installed capacity of 14000 MTS. During the period the unit produced 6464 MT of filament yarn with average denier of 36.9.

The company has been changing its product mix on the basis of dependability on yarn sold in Surat market has been

shifted to yarn being sold in Amritsar & Mumbai markets. In view of L.O.Y base 20 Mono Yarn is less prone to market fluctuations and has a much higher margin. To save on power cost the unit has installed CHS.

Finance

The restructuring scheme of the company under CDR has been implemented fully and company has been timely servicing its repayment obligation towards lenders as per package. The charges on assets of the company could not be created due to the order of the Honble High Court of Punjab at Chandigarh restraining company to create charge over its assets. The company is grateful to all the banks for their continued and timely support in running the smooth operations.

Foreign Currency Convertible Bonds (FCCBs)

The company had issued FCCBs of US\$ 30 million in April 2006 for a period of five years to partly finance the company's expansion and modernization plan. The company could not redeem FCCBs on due date 08.04.2011. In the meantime, the trustees of FCCBs had filed a winding up petition in the Punjab High Court at Chandigarh in September 2012, which is pending for disposal.

During the period, the company settled 1293 FCCBs of US\$ 10,000/- each by converting into 11,59,54,059 equity shares of Rs 2.50 each.

The trustees are now representing outstanding 1249 FCCBs of US\$ 10000/- each, who are not in agreement with the proposal submitted by the company. The case is being argued on the maintainability of the winding up petition and company has been advised that the merits of the case do not warrant winding up.

Fixed Deposits (FDs)

Deposits remaining unclaimed at maturity amounted to Rs. 64.21 lakhs as on 31.3.2014. Of the above, deposits of Rs. 50.11 lakhs have been repaid subsequently. The Company is regular in repayment and servicing of interest on fixed deposits. The Company has not been accepting fresh/renewals of deposits.

Statutory Disclosures

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexures to the Directors Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. This information will be made available on request by any member of the Company.

The particulars relating to energy conservation, technology 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, report on Corporate Governance and Management Discussions and Analysis are annexed hereto and forms an integral part of this report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility statement, this is to confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- 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 six months period 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 at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Board on the recommendation of the Audit Committee has recommended the re-appointment for a period of three years in accordance with Section 139 of the Companies Act, 2013.

Auditors Report

The report by the auditors is self-explanatory. However, in respect of certain observations made by the Auditors in the Annexure to their main Report to the members of the Company, directors have to submit that (a) non-clearance / payment of cheque issued to fixed deposit holders, the same have been issued timely and have since been cleared/paid; (b) delay in deposits of statutory dues were for very short period due to non-availability of funds timely; (c) The company has defaulted in repayment of US\$ 15 million equivalent to Rs 9071.91 lakhs to FCCB holders, the trustees of bondholders have filed a winding up petition, which is pending for disposal, and the company has been advised that the merits of the case do not

warrant winding up. The company settled US\$ 12.93 Million FCCBs by issue of 11,59,54,059 Equity shares of Rs. 2.50 each at par in full and final settlement with the agreed bondholders. The resultant capital gain of Rs. 5082.50 lakhs on settlement of US\$ 12.93 Million towards FCCBs liability has been directly credited to Reserve & Surplus as Capital Reserve based on legal opinion obtained; and (d) Accumulated losses are more than fifty percent of the its net worth, on the strength of continuing improvement in operations, future plans and support of promoters, bankers, lenders, workmen and successful implementation of Corporate Debt Restructuring by all the banks.

Cost Auditors

The Company has appointed M/s Goyal, Goyal & Associates, as the Cost Auditors for conducting the audit of Cost Records of the Company for the period ended 31st March 2014.

Directors

In view of the provisions of the Companies Act 2013, read with the provisions of the Listing Agreement, one-half of the directors on the Board of the Company are required to be independent directors. The independent directors are not to be considered for the purpose of determining the directors liable to retire by rotation. Mr Gordhan Bhojraj Kathuria, Dr Ajit Kumar Doshi and Mr Chander Mohan Bhanot, they would be appointed as Independent Directors of the Company for a term of five consecutive years commencing from the date of the ensuing Annual General Meeting. Ms Priya Thapar - Director HR will be retiring at the ensuing Annual General Meeting and being eligible, offers herself for being re-elected.

Allahabad Bank, the Monitoring Institution under Corporate Debt Restructuring Scheme, had nominated Mr Suresh Kumar Singhala on 30th May 2014 in place of Mr Parthadeb Datta.

Acknowledgement

The Board placed on record its deep appreciation of the devoted services of the loyal workers, executives and other staff of the Company, who have contributed to the performance and the Company's continued inherent strength. It also extends their appreciation for the assistance and co-operations received from the banks, customers, vendors and stakeholders during the period under review.

For and on behalf of the Board

Place : New Delhi

Date : 12th August, 2014

SAMIR THAPAR

Chairman & Managing Director



ANNEXURE TO THE 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 6 months period ended 31.03.2014

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken and (b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy :

Textile Division

Running of Auxiliaries (H.Plants, T.Blowers, Lights and exhaust fans) w.r.t. requirement conditions of product quality as well as production. Reduction of compressed air consumption under Continual Improvement Plan resulting good amount of power saving. Water saving through various projects i.e. run time control of tube wells, recovery of water on processing machines & use of treated effluent for various applications. Awareness on Energy conservation through training programmes & booking expenses of electricity, steam & air consumption, department wise. Modification in tube fittings circuits with MCB in place of rewirable fuses / bimetal type breakers in spinning. Installation of a Variable Frequency drives 55 Kw at soft water pump for controlling the flow and pressure of water which results in energy conservation. Replacement of Electronic chokes (100 nos) I.P.O. conventional chokes to save 0.25 kwh per choke per day. Optimisation of voltage level for power system and lighting with various voltage adjustment techniques. Maintaining Optimum power factor (above 0.99) at purchased power supply. Installation of high bay induction light at CDR shed in plant I.P.O.M.V lamps. Use of CFL 5/9/11/15/20 Watts (24 nos) in mills and replacement of M.V.lamps 250 watt with CFL 90 watt at medium bay lights (20 nos) w.r.t required Lux level. Optimisation of Electric power distribution from Open Access power purchase w.r.t. T.G.Power cost as well DISCOM. Removal of unwanted dust fans and tube fittings from spinning area. Emphasis on PAT scheme Energy conservation through online energy monitoring system in LAN. Installation of Motion sensors to switch off the lights when not required. Installation of Timer switches for switching off lights in mid night in some area. Temperature control installed in Rapier m/c's circulating oil cooling devices (32 nos). Reduction of Angels and Pullies of various H.Plants as per Department conditions requirements for Reduction in electrical units consumption. Procurement of Star leveled equipments i.e. Air Conditioners, Geyzers and Ceiling fans. Blow room -4 circuit modification to stop 2 nos motors of 1 HP & 2 HP w.r.t demand. Automiser in place of old technology Benson fans

Filament Division

Unification of Extruder 16 A & 16 B done by providing single extruder in place of two extruders. With this 50 KW/Hr Energy

saved. Replacement of HPS based Themopac system with Pet coke based Themopac system which will save in energy cost. Dowtherm boilers of New LOY Extruders taken on Thermol-66 from electrical Load. Saving of 105 KW/Hr saving achieved. Maintenance & Replacement of steam traps are carried out & thus steam saving is achieved. Optimizing the raw water quantity by throttling the out let valve of water tanks. Saving of Approx. 200M3/day water saved. In Draw twisting machines of Teijin/ Comoli/ Senia make air jets are replaced with Hebolin Heb P-102 jets. Saving in Intermingling air is achieved resulting in 114 KW/Hr power Saved.

- (b) Impact of Measures:

Impact of various steps i.e. down trend has been observed approx (5.17%) from 6.35 U/Kg to 6.02 U/Kg

- (c) 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

Adding New Capability in spinning i.e.1st time starting Yarn. Spinning from Inherent FR (Fire Retardant) Fibers like Aramid/ Modacrylic and different Blends Meta-Aramid/Para-Aramid, Modacrylic/Cotton.

Also adding New Capability in processing i.e. 1st time starting. Processing (dyeing & Finishing) of Technical Textiles (Protective fabrics) made from Fibers like Aramid/ Modacrylic and different Blends Meta- Aramid/ Para-Aramid, Modacrylic/Cotton Aramid. JCT Sort No. 32004 & 32005 (made from aramid fibres) has been tested & got passed from recognized 3rd part Lab 'AITEX- Spain'.

Filament Division

Batch Poly Recovery column modification & condenser installation resulted into huge saving of DM Water, power & enhancement of cooling tower life. Steam conservation has reduced consumption by app. 35%. In 2013-14.Poly-1 waste reduced by providing separate DM water pumps for circulation in quenching vats. More chips flexibility with batch poly chips utilisation on existing products like 70/20 brt, 90/20 brt & 210/40 brt. Implementation of 4M Concept in Spg & Textile section to increase productivity.

2. Derived :

Textile Division

JCT will be one among the few organizations who will produce Technical Textile (Protective Clothing) Products. These new products have wide scope in the Technical Textiles Market and can offer more profitability as compared to Normal Fabrics.



Filament Division

Provide products and services to our customers not only meeting but exceeding their requirements. Initiative to reduce cost of production by reduction in wastage, optimum utilization of resources & manpower to increase productivity & sales realization. Increase presence in international market in hank dyed & dope dyed segment.

3. Future Plan of action :

Textile Division

The Company has independent R&D Department which regularly provides suggestions for improvement so as to optimize the cost of products and improve the quality.

Filament Division

Plan to further increase LOY, POY, FDY/DT & DW machines to increase market share in domestic and international market. Focus on increasing productivity by maximum utilization of resources & modification in existing hardware.

(C) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Efforts continued in strengthening the R&D facilities in order to provide a comprehensive range of products being manufactured both at Textile and Filament Yarn Unit. Training was imparted to technical staff as an ongoing process.

(b) Benefits derived :

Availability of energy efficient, environment friendly systems and equipment, wider range of products, improved quality and product designs and cost reduction were amongst the benefits derived.

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

The Company continuously strives to adopt latest technology for improving productivity, product quality and reducing consumption of raw material, energy and other inputs.

(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:
The Company is exporting Textile Fabrics, Filament Yarns and has taken successful initiatives for increasing exports.

(b) Total Foreign Exchange used and earned:

| | Current Period (6 Months) (Rs. in lacs) | Previous Period (18 Months) (Rs. in lacs) |
|--------|---|---|
| Used | 64.50 | 4278.62 |
| Earned | 4960.64 | 16018.81 |

TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION

FORM 'A'

| A. POWER AND FUEL CONSUMPTION: | | | | |
|--|--|------------------------------|-------|--------------------------------|
| | | Current Period (6 months) | | Previous Period (18 months) |
| 1 | Electricity | | | |
| | (a) Purchased: | | | |
| | Units | 22441652 | | 80769885 |
| | Total Cost (Rs. in lacs) | 1675.15 | | 5706.82 |
| | Rate/Unit(Rs.) | 7.46 | | 7.07 |
| | Merchant Power | | | |
| | Units (Kwh) | 7767931 | | 25981886 |
| | Total cost (Rs. in lacs) | 497.71 | | 1563.39 |
| | Rate/Unit(Rs.) | 6.41 | | 6.02 |
| | (b) Own Generation: | | | |
| | (i) Through Diesel Generators | | | |
| | Units | 83548 | | 712942 |
| | Total Cost (Rs. in lacs) | 12.69 | | 101.17 |
| | Cost/unit (Rs.) | 15.19 | | 14.19 |
| | (ii) Through Steam Turbine Generators | | | |
| | Units | 44807840 | | 125087493 |
| | Total cost of Coal / Rice Husk (Rs. In lacs) | 1830.40 | | 5365.46 |
| | Cost/unit(Rs) | 4.08 | | 4.29 |
| 2 | Coal / Husk (Boilers) | | | |
| | Quantity(tonnes) | 108618.58 | | 329259.17 |
| | Total Cost(Rs.in lacs) | 4402.54 | | 13234.86 |
| | Average Rate(Rs) | 4053.21 | | 4019.59 |
| 3 | Furnace Oil (Boilers) | | | |
| | Quantity(K.Ltrs) | 568955 | | 2068990 |
| | Total Cost(Rs.in lacs) | 261.87 | | 896.41 |
| | Average Rate./Ltr (Rs) | 46.03 | | 43.33 |
| 4 | LDO/HSD (Furnaces / DG sets) | | | |
| | Quantity(Ltrs) | 24930 | | 231294 |
| | Total Cost(Rs.in lacs) | 12.69 | | 101.17 |
| | Average Rate/ltr(Rs) | 50.91 | | 43.74 |
| 5 | Pet Coke (for CHS) | | | |
| | Quantity(Kgs) | 222600 | | ñ |
| | Total Cost(Rs./Lacs) | 18.54 | | ñ |
| | Average Rate./Ltr (Rs) | 8.33 | | ñ |
| 6 | Other/Internal Generation | | | |
| | Steam | | | |
| | Quantity(tonnes) | 347350 | | 971292 |
| | Total Cost(Rs. in lacs) | 4422.44 | | 13299.16 |
| | Average Rate(Rs) | 1,273.19 | | 1,369.22 |
| B. CONSUMPTION COST PER UNIT OF PRODUCTION (RS) | | | | |
| | | Current Period (6 months) | | Previous Period (18 months) |
| | | | | |
| PRODUCTS | | Elect. & DG Power | Steam | Elect. & DG Power |
| Filament Yarn / Chips | | 35.68 | 13.80 | 30.43 |
| Cloth | | 8.509 | 10.71 | 5.98 |
| | | | | 7.41 |



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. OVERALL VIEW

In spite of the adverse market conditions prevailing the overall performance of the Company during the period has considerably improved compared to that of the previous year.

The global economic outlook remained uncertain and challenging with a growth of about three per cent in 2013. There were many reasons for this sluggishness including weak recovery in the US and Europe and a general economic slowdown in emerging economies like China and India.

There was no turnaround in the domestic economy in either consumption or investment as was reflected by the downward trend in both the capital and consumer goods segments. The high borrowing cost to combat inflation, coupled with lower consumption, low investment in infrastructure and other sectors of the economy were responsible for this, although agriculture and allied businesses had shown some improvement. Foreign Institutional Investors (FIIs) were record buyers of Indian debt instruments in the quarter ended March 2014, reflecting increased confidence in India's long-term economic prospects although growth is yet to show any definite signs of emerging from a slump. The Rupee has recently strengthened against the US Dollar which might adversely affect exports from India.

It is expected that the economy would grow in the coming years and the demand for prices of textile products would improve which will enable the Company to regain steady or better performance.

The circumstances prevailing in business segments of the Company and their operations are discussed hereunder.

II. Business Segment - Textiles & Filament Yarns:

a) Industry Structure & Development:

Raw material costs have been increasing globally, coupled with a shortage of skilled workers. While a shift is taking place of textiles industries from China and Bangladesh to India, the industrial climate in India has also become adverse due to regular increases in input costs. Any further appreciation of the Rupee will adversely affect exports from India. Though the spinning industry has fared somewhat better those with a presence in weaving, processing or even composite businesses are facing the heat due to increases in input cost without being able to pass on such higher costs to customers as the market is simply unable to absorb the same.

b) Opportunities and Threats:

There is good scope for growth for the textile industry as India's share in the global trade in textiles is weak compared to other countries. The free trade environment is a great opportunity for the Indian textile industry to increase its share in the global market. Chinese exports are slowing down on account of various factors inclusive of increase in domestic demand and rising costs. This is a good opportunity of which our textile industry should make use but smaller countries like Bangladesh, Sri Lanka, Pakistan, Turkey and Vietnam etc. are becoming formidable challengers.

Lack of uninterrupted power, increased power costs, higher transaction costs, and high cost of labour is hindering the progress. However, we are making all out efforts to cope with all these challenges by continuous efforts at cost reduction, process improvements, diversification of products and improving productivity by improving efficiencies.

c) Segmental Review and Analysis:

The financial performance of our textile has stabilized and is showing improvements including in capacity utilization. As a result, the sales have improved aided by increasing demand in the domestic and U.S. Markets. The demand for premium branded goods is healthier and we are concentrating on high priced premium goods. The performance of the yarn Division remained fairly stable. Since April, 2014, the yarn market is depressed but it is hoped that it should improve in the current year.

We have, therefore, changed the product pattern based on cotton and synthetic fabric which is in demand and which customers have been seen to prefer in adverse market conditions. Considering the challenges that exist, the financial results of this division are satisfactory.