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HOTLINE SERVICES LIMITED

11th Annual Report

2002-2003

BOARD OF DIRECTORS

Shri Anil Gupta – Chairman & Managing Director

Shri. G. L. Modi

Shri. H.B. Huang

Shri Rajneesh Malhotra
(Alternate Director to Shri H. B. Huang)

Shri Govind Narain

Shri Sanjiv Narayan

Shri V. N. Masaldan

Dr. S. Krishnamurthy

Col. B. K. Rai

Shri D. C. Mathur

Shri Ram K. Gupta - IDBI – Nominee

BANKERS

Punjab National Bank
Mid Corporate Branch, Barakhamba Road,
New Delhi – 110 001

Bank of Baroda
Defence Colony,
New Delhi - 110 024

STATUTORY AUDITORS

M/s. S. S. Kothari & Co., Chartered Accountants
8 – D, Atma Ram House, I, Tolstoy Marg,
New Delhi – 110 001

REGISTERED OFFICE

CBG 07 to 51, Ghirongi Industrial Area,
Malanpur,
Distt. Bhind,
Madhya Pradesh

HEAD OFFICE

241, Okhla Industrial Estate,
Phase – III,
New Delhi – 110 020

REGISTRAR

MCS Limited
Sri Venketesh Bhavan,
212 – A, Shahpurjat,
New Delhi – 110 049
Phone No. 26494830, 26494831 & 26490051
Fax : 26494152

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of Hotline Glass Limited will be held on Tuesday, 30th September 2003 at 12:30 PM at 139, Malanpur Industrial Area, Distt. Bhind (M. P.).

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statement of accounts of the Company for the year ended 31st March 2003 and Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G. L. Modi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. V. N. Masaldan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S. Krishnamurthy, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors & to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modification the following resolution as ordinary resolution:

"RESOLVED that in accordance with the provisions of Section 269, Section 316, Schedule XIII and other applicable provisions of the Companies Act, 1956, the company hereby approves the appointment of Mr. Anil Gupta as a non-rotational Managing Director of the company without any remuneration for a period of 5 years with effect from 30.01.2003

Certified True Copy

For **HOTLINE GLASS LIMITED**

ANIL GUPTA

CHAIRMAN & MANAGING DIRECTOR

PLACE : NEW DELHI

DATE : 27.08.2003

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 TO ITEM NO. 6

Mr. Anil Gupta has been on the Board of your company since inception as promoter Director. He has rich knowledge and vast experience in the field of Electronics and Appliances Industry. The Board consider it desirable that he should be appointed as non-rotational Managing Director of the company for a period of 5 years and have also approved the appointment of Mr. Anil Gupta in its meeting held on 30.01.2003. Members are requested to approve his appointment as Managing Director for a period of 5 years w.e.f. 30.01.2003 without any remuneration.

Except Mr. Anil Gupta who is interested in his individual capacity no other director is interested in this resolution.

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote, on the Poll only, instead of himself and the proxy so appointed need not be a member of the Company. Proxies in order to be effective must reach at the Registered Office of the Company not less than 48 hours before the time fixed for meeting.
2. The Register of Members and the share transfer books of the Company shall remain closed from 16th September 2003 to 30th September 2003 (both days inclusive)
3. Shareholders / Proxy Holders are requested to produce at the entrance the admission slip forwarded to them, duly completed and signed in accordance with the specimen signature registered with the Company.
4. The Company is maintaining its office in Delhi at 241, Okhla Industrial Estate, Phase III, New Delhi – 110020, where the shareholders can lodge any papers including shares for transfer. The Company would reimburse the to and fro second class rail/bus fare of Delhi – Malanpur to Members who reside in Delhi and attend the meeting at Malanpur.
5. The instrument of share transfer, completed in all respects should be sent to the Company well in advance, so as to reach to the Company prior to book closing. Shares under any defective transfer (unless defect is removed prior to book closing) and/or instrument of transfer received during the period of book closing shall be considered after reopening of books.
6. Members are requested to bring their copy of Annual Report, as no copies will be distributed at the Annual General Meeting.
7. Members desirous of getting any information about the accounts under reference and operations of the Company are advised to address their queries to the Managing Director of the Company well in advance, so that the same may reach him at least seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.

DIRECTORS REPORT

To,

The Members

Hotline Glass Limited

Your Directors are pleased to present the Eleventh Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2003.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended 31 st March 2003	Period ended 31 st March 2002 (9 Months)
Sales and Other Income	4999.66	4677.76
Profit before Depreciation&Financial Expenses	613.89	759.76
Financial Expenses	599.09	225.92
Cash Profit	14.80	533.84
Depreciation	995.73	586.32
Net Profit/(Loss) before Income Tax	-980.93	-52.48
Income Tax:		
Current Tax:	NIL	NIL
Deferred Tax:	-340.44	-13.61
Net Profit after Tax	-640.49	-38.87

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to sub section (2AA) of section 217 of the Companies Act, 1956 the Board of Directors of the company hereby state and confirm that:

- (i) in the preparation of Annual Accounts for the year ended 31st March 2003, the applicable accounting standards have been followed.
- (ii) the financial statements do give a true and fair view of the state of affairs of the company for the financial year ended 31st March 2003 and your directors have selected and applied the consistent accounting policies and the judgement and estimates made therein are reasonable and prudent.
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities have been ensured.
- (iv) the Annual Accounts for the year ended 31st March 2003 have been prepared on a going concern basis.

OPERATIONS

During the year the company upgraded its plant to produce funnel for Colour Picture Tube.

Trial production of Colour Funnel started from December 2002 and production was stabilized in March 2003. You will be pleased to note that entire up-gradation of plant was completed in less than Rs. 10 Crores which is much lower than that incurred by competitor for similar activity. Due to a decline in market, there is steep fall in selling prices of Black & White Glass Parts, as a result of which the company incurred a net loss of Rs. 9.80 crores during the year ended 31st March 2003.

DIVIDEND

In view of losses during the year, your directors are not recommending any dividend this year.

FUTURE PROSPECTS

Your plant is now capable of producing both Black & White Picture Tube Glass parts as well as funnels for Colour Picture Tube. The company is expected to make good profits from current year due to :

1. Increase in the price of Glass Parts for B/W Tubes, due to rationalization of B/W Tube prices.
2. Production and sale of funnels for Colour Picture Tube.
3. Ready market for your product, as Hotline Teletube & Components Ltd. would procure all B/W Glass Parts required by it and Hotline CPT Limited would procure all colour funnels required by it from your company.
4. Demand of both Black & White T.V. as well as Colour T.V. is expected to grow at a steady pace, especially with the passing of Electricity Act. Availability of power in rural India will improve the penetration level of T.V., which is quite low as compared to other countries.

You will be pleased to note that Hotline CPT Ltd. in which your company had invested Rs. 27 crores as strategic investment, has started making net profits. The production and sales of Hotline CPT Ltd. are increasing steadily and the company is also setting up lines for manufacturing colour display tubes for computers. Presently the company manufactures 20", 21" and 14" colour picture tubes for televisions and has attained the position of market leader in colour picture tube industry. As a result of increase in the scales of operations of Hotline CPT Ltd., your company would be able to provide large quantities of funnels for colour picture tubes, resulting in better profitability.

CORPORATE GOVERNANCE

Your company and its Board is committed to achieve the highest standards of Corporate Governance. The Corporate Governance practices followed by the company are indicated separately in the Annexure forming part of this Report.

A certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is also attached.

FIXED DEPOSIT

The company has not accepted any fixed deposit from the public during the year.

DELISTING

The listing fees of Delhi Stock Exchange, Madhya Pradesh Stock Exchange and Mumbai Stock Exchange for the year 2003 – 04 has already been paid. The Company has received confirmation of delisting from Ahmedabad and Madras Stock Exchanges during the year but confirmation of delisting from Calcutta Stock Exchange is still awaited despite of completing all the formalities.

DIRECTORS

Mr. G. L. Modi, Mr. V. N. Masaldan and Dr. S. Krishnamurthy retire from the Board by rotation and being eligible offer themselves for reappointment.

Mr. Anil Gupta was appointed as non-rotational Managing Director of the Company without any remuneration for a period of 5 years with effect from 30.01.2003 u/s 269, 316 and 317 read with Schedule XIII of the Companies Act, 1956. His appointment has been recommended for your approval u/s 269 read with Schedule XIII of the Companies Act, 1956.

AUDITORS

Your Company's Statutory Auditors, M/s. S. S. Kothari & Co., Chartered Accountants, 8 – D, Atmaram House, 1, Tolstoy Marg, New Delhi – 110001 retire at the conclusion of the forth coming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

PARTICULAR OF EMPLOYEES

None of the employees are covered under section 217 (2A) of the Companies Act, 1956 and rules framed there under.

INFORMATION ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

As per Annexure

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from Government Authorities, Financial Institutions, Banks and Shareholders.

Your Directors wish to place on record their sincere appreciation for the valuable services rendered by the employees of the company, especially for their contribution in up-gradation of plant, without any technology support.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

ANIL GUPTA

CHAIRMAN & MANAGING DIRECTOR

PLACE : NEW DELHI

DATE : 27.08.2003

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HOTLINE GLASS LIMITED**INFORMATION ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND
FOREIGN EXCHANGE EARNINGS & OUTFLOW****A. ENERGY CONSERVATION (FROM 01.04.2002 TO 31.03.2003)**

	THIS YEAR	PREV. PERIOD
POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased		
Units (KWH)	7218622	3355280
Total Amount (Rs. in lacs)	320.43	158.67
Rate / Unit (Rs.)	4.44	4.73
b. Own Generation		
(Through Diesel Generator)		
Units (KWH)	6196564	1972100
Units per Ltr. of Diesel Oil	3.72	3.31
Cost \ Unit (Rs.)	4.97	4.50
2. H.S.D. FOR FURNACE		
Quantity (K.L.)	4.958	161.455
Total Cost (Rs. in lacs)	0.79	23.54
Rate / Unit (Rs. per K.L.)	16019.45	14579.63
3. L.D.O. FOR FURNACE		
Quantity (K.L.)	5350.148	1790.21
Total Cost (Rs. in lacs)	704.59	206.33
Rate / Unit (Rs. per K.L.)	13169.53	11525.72
4. PROPANE		
Quantity (M.T.)	1303.83	511.601
Total Cost (Rs. in lacs)	217.96	74.46
Rate / Unit (Rs. per M.T.)	16717.21	14554.54

CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT - GLASS PARTS PANEL/FUNNEL	STANDARDS (IF ANY)	THIS YEAR	PREV. PERIOD
- ELECTRICITY	N.A.	2.78 KWH	2.79 KWH
- H.S.D. & L.D.O.	N.A.	1.45 LTR	1.34 LTR
- PROPANE	N.A.	0.27 KG	0.27 KG

B. RESEARCH & DEVELOPMENT

Due to Continuous Research & Development, the Company has been able to upgrade the entire facilities enabling it to produce the Glass Parts for both Black & White and Colour Picture Tube. The entire up-gradation has been done without any technology tie up.

Not only that the entire up-gradation has been done at minimum cost, the company has been able to stabilised the production for Glass Parts for Colour Picture Tube within a short period of 3 months.

The company had taken technology from Picvue Taiwan in 1993-97 which has been fully absorbed.

C. FOREIGN EXCHANGE EARNING / OUTFLOW

Total foreign exchange used by Company during the period is Rs.1207.58 lacs for imports, foreign technicians fee, travel & others.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE
(Clause 49 of the Listing Agreement)

Company's Philosophy on Corporate Governance

The basic philosophy of Corporate Governance in the company is to achieve business excellence and add shareholder value by following desired disclosure practices & sound decision making, achieved through effective & harmonious interactions amongst the Board of Directors, its committees & senior management. Transparency, accountability & responsibility are the guiding principles for all decisions, transactions & policy matters. Good Corporate practices have guided the company to not only work towards the enhancement of shareholders value, but also towards overall betterment of all stakeholders, viz, shareholders, creditors, customers, employees & society at large.

Good Corporate Practices ensure that a company meets its obligations to optimise shareholders value. The Board of Directors and management of Hotline Glass Limited are committed to the key elements of Corporate Governance transparency disclosure & independent supervision to ensure that all functions of the company are discharged in a professionally sound, competent and transparent manner. The philosophy on Corporate Governance is founded upon a rich legacy of fair and transparent governance practices, many of which were in place before they were mandated. Following disclosures are set out towards achievement of good Corporate Governance.

Composition of the Board

The Board has presently ten directors, nine of whom are non-executive directors including nominee director of M/s. IDBI. Mr. Anil Gupta, Promoter Director is the only Executive Director. None of the non-executive directors has any material pecuniary relationship with the company.

Management Discussion and analysis report.

Realising that the Black & White T.V Industry is passing through a declining phase in India., the company has started manufacturing of funnel for Colour Picture Tubes. As one of the group companies, namely Hotline CPT Ltd. is engaged in manufacturing of Colour Picture Tubes, the company has readymade market for funnel for manufacture of colour picture tube. The production of Glass parts for Black & White Picture Tubes would continue for the consumption of Hotline Teletube & Components Ltd.

Colour T.V Industry is growing at a rapid pace and witnessed a growth of more than 25% during the year 2002-2003. This provides good opportunity to company to maximise its colour funnel production. The only threat can be availability of imported colour glass at lower prices if custom duties are reduced. However the company can counter this by increasing production and exporting to other countries.

As the company is engaged in production of Glass parts for Picture Tubes either of Black & White or Colour, there is only one segment.

It is expected that with the rationalization of Black & White Glass prices and start up of Funnel for colour picture tube, the company would make profits in the coming years. Also considering the expected improvement in power situation, due to passing of Electricity Act, the outlook for T.V Glass industry is bright.

With the liberalisation of economy, there is always a risk of import of Glass Parts. As far as Black & White Glass Parts are concerned, there is hardly any manufacturer outside India. Regarding colour funnel glass, the company plans to diversify into exports to maintain the profitability.

The company has an adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. The internal control system is supplemented by well documented policies, guidelines and procedures and review carried out by the company's internal audit function which submits reports periodically to the management and the Audit Committee of the Board.

During the current year the company produced 47.08 lac glass part for Black & White Tubes as against 32.74 lac producing during 9 months ending 31st March 2002. The company also produced 2.31 lac colour funnels. However due to steep fall in selling prices during the year 2002- 2003, the company suffered a net loss of Rs. 9.80 crores as against the loss of Rs. 0.52 crores during the period of 9 months ended 31st March 2002.

The relationship with workers has been cordial and the entire work force did a creditable job by producing colour funnel without any technology support. The company engaged 282 workers as at the end of the year.

The company has not entered into any material, financial or commercial transaction in which management may be interested and which may have a potential conflict with the interest of the company.

Audit Committee

- Composition

* The Audit Committee of the company comprises of Mr. Sanjiv Narayan, Dr. S. Krishnamurthy and Mr. D. C. Mathur all being Non-Executive and Independent directors. Mr. D. C. Mathur has proficient knowledge and experience in the field of finance and accounts. He is a well qualified professional, fellow member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost & Works Accountants of India. He is also Audit Committee Member of Hotline CPT Ltd., Hotline Teletube & Components Ltd. & Hotline Wittis Display Devices Ltd. Dr. S. Krishnamurthy is an eminent economist. He is also Chairman of Audit Committee of Charminar Nonwovens Ltd.

- Chairman

* Mr. Sanjiv Narayan is the Chairman of the Committee and is a Non-Executive and independent director. He is an IIT Graduate and MBA and has vast experience in Electronics Industry. He is also the president of ELCINA. He is also chairman of Audit Committee of Hotline CPT Limited & Hotline Teletube & Components Ltd.

* The presence of the Chairman of the Committee shall be ensured in the Annual General Meeting.

- Attendance

* The Finance Head, Internal Auditor and representative of External Auditors were present in the audit committee meetings as stipulated in the code.

- Company Secretary

* The company secretary has already been nominated as secretary of the audit committee.

- Formation and Meeting dates

* The Audit Committee was formed on 20th January 2001. In the financial year 2002 - 2003 five meetings dated 29.04.2002, 31.07.2002, 14.08.2002, 30.10.2002 & 30.01.2003 had been held. All the members were present in all the five meetings.

Terms of Reference

* The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:

- Oversight of the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the half-yearly and annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

- d. Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

Board Procedures

* The Board met 7 times during the year on 03.04.2002, 29.04.2002, 31.07.2002, 14.08.2002, 30.09.2002, 30.10.2002 and 30.01.2003 and the gap requirement between two meetings has been complied.

* The information required to be placed before the Board as required by the code are duly placed and discussed at the meetings.

Information for Shareholders

* During the year Mr. V. N. Masaldan, Mr. G. L. Modi and Dr. S. Krishnamurthy retire from the Board by rotation and being eligible offer themselves for reappointment.

Mr. Anil Gupta was appointed as the Managing Director of the Company for a period of 5 years w.e.f. 30th January 2003 u/s 269, 316 and 317 read with Schedule XIII of the Companies Act, 1956. His appointment has been recommended for approval of shareholders u/s 269 read with Schedule XIII of the Companies Act, 1956.

*** Profile of Managing Director**

Mr. Anil Gupta is visionary, an aggressive businessman and compassionate leader who has developed a close knit organization of professionals to carry the Hotline Flag. He has been on the Board of Company since inception. He has rich knowledge and vast experience in the field of Electronics and Appliances Industry. He is Managing Director of your company and Hotline CPT Limited and also director of Hotline Teletube & Components Ltd., Hotline Wittis Electronics Ltd., Hotline Wittis Display Devices Ltd., Fusebase India Pvt. Ltd., Fusebase Eltoro Pvt. Ltd., Protek Components India Ltd., Hotline Holdings Pvt. Ltd., Shankar Kapra Niryat Pvt. Ltd., Netilennium Technologies Pvt. Ltd. and Usha Computel Pvt. Ltd. He is also member of Audit Committee of Hotline CPT Limited

*** Profile of Directors Offering Re-appointment**

- Mr. V. N. Masaldan is a law graduate. He possess good knowledge and has rich experience in marketing, legal and finance and has been associated with the company since its inception. He is Managing Director of Hotline Teletube & Components Ltd. and also holding directorship of your company, Fusebase Eltoro Pvt. Ltd., Fusebase India Pvt. Ltd., Hotline CPT Limited & Hotline Wittis Display Devices Ltd. He is member of Audit Committee of Hotline CPT Limited and also member of Shareholder Grievance Committee of your company and Hotline Teletube & Components Limited.
- Mr. G. L. Modi is visionary, aggressive and established industrialist. He has been on the Board of company since inception. He is Managing Director of Modison Metals Ltd. and director of Modison Pvt. Limited, Modison Contacts Pvt. Ltd., Modison Chemtech Pvt. Ltd. and Metalman Recycling (I) Pvt. Ltd. He is also member of shareholder grievance committee of Modison Metals Ltd.
- Dr. S. Krishnamurthy is an eminent economist and has been associated with the company since inception. He is director of Ramavision Ltd., Charminar Nonwovens Ltd., XLO Clutch Ltd., HMT Ltd., Oswal Sugars Ltd., Punjab Wool Combres Ltd. and RVL Industries Ltd. He is audit committee member of your company, Ramavision Ltd., Punjab Wool Combres Ltd. and Chairman of Audit Committee of Charminar Nonwovens Ltd.

Remuneration of Directors

* Remuneration to Mr. G. Sankarnarayan, Whole Time Director, who has resigned was payable within the limit of schedule XIII of the Companies Act, 1956. Following remuneration was paid to Mr. G. Sankarnarayan during his tenure

Salary	-	Rs. 1,66,800/-
Allowances, Perquisites & Other Benefits	-	Rs. 1,13,980/-
Contribution to P.F.	-	Rs. 20,016/-

Rs. 3,00,796/-

The service contract was for 5 years. However the notice period of resignation was 3 months.

However company is not paying any Remuneration to Mr. Anil Gupta, Chairman Cum Managing Director. Company is not paying any remuneration to the Non-Executive Directors.

However, the company pays sitting fees to all directors except to Managing Director/Whole Time Director at the rate of Rs.2000/- for attending meeting of the Board and Audit Committee. The sitting fees paid for the year ended 31st March 2003 to the directors are as follows:

Name of the Director	Sitting Fees (Rs.)
Mr. Anil Gupta	10,000
Mr. V. N. Masaldan	14,000
Mr. D. C. Mathur	24,000
Mr. Govind Narain	12,000
Mr. Sanjiv Narayan	24,000
Mr. Rajneesh Malhotra	12,000
Col. B. K. Rai	12,000
Dr. S. Krishnamurthy	24000
Mr S.S. Bhandari	2000
Mr Ram K. Gupta	2000
Total	1,36,000