

**HOTLINE**



15th  
Annual  
REPORT  
2006



**HOTLINE GLASS LIMITED**

# HOTLINE GLASS LIMITED

## 15th Annual Report 2006

### BOARD OF DIRECTORS

Shri Anil Gupta – Chairman & Managing Director  
 Shri.D.C. Mathur  
 Shri Anuj Gupta  
 Shri Rajneesh Malhotra

### 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 Mehta & Co., Chartered Accountants  
 Plot No. 146-149, Tribhuvan Complex,  
 Ishwar Nagar, Mathura Road,  
 New Delhi – 110 065

### REGISTERED OFFICE

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

### HEAD OFFICE

52 A, Okhla Industrial Estate,  
 Phase – III,  
 New Delhi – 110 020  
 Phone No.: 26311601  
 Fax: 26916386

### REGISTRAR

MCS Limited  
 Sri Venkatesh Bhavan,  
 W-40, Okhla Industrial Area, Phase - II  
 New Delhi – 110 020  
 Phone No. 41406149

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**HOTLINE GLASS LIMITED****NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of Hotline Glass Limited will be held on Wednesday, 28<sup>th</sup> March, 2007 at 11:30 A.M. at GBA 1-3, Ghirongi Industrial Area, Malanpur, Distt. Bhiind (M. P.).

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited statement of accounts of the Company for the year ended 31<sup>st</sup> December 2006 and Report of the Directors and Auditors thereof.
2. To appoint a Director in place of Mr. D.C Mathur who retires by rotation and being eligible, offers himself for reappointment. Mr. D.C. Mathur holds 310 shares of the company.
3. To appoint auditors and to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:  
"RESOLVED that in accordance with the provision of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Anuj Gupta, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of company subject to retirement by rotation under the provisions of the Article of Association of the Company."
5. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:  
"RESOLVED that in accordance with the provision of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Rajneesh Malhotra, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of company subject to retirement by rotation under the provisions of the Article of Association of the Company."

**For and on Behalf of Board of Directors**

**PLACE : NEW DELHI**  
**DATE : 16TH FEBRUARY, 2007**

**Sd/-**  
**ANIL GUPTA**  
**CHAIRMAN**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 TO ITEM NO. 4 & 5**

1. The Board of Directors of the Company at its meeting held on 13<sup>th</sup> January, 2007 appointed Mr. Anuj Gupta as an Additional Director, pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company, Mr. Anuj Gupta holds office only upto the date of this Annual General Meeting. Mr. Anuj Gupta is the Managing Director of Hotline Electronics Ltd. and is director J.D. Exim Pvt. Ltd, Hotline Teletube & Components Ltd. and Hotline CPT Limited. He is 29 years old and is associated with the Company for last four years. He is the son of the promoter director Mr. Anil Gupta. The Board considers it desirable to have the expertise of Mr. Anuj Gupta on the Board and recommends his appointment. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Anuj Gupta as Director of the Company. Except Mr. Anuj Gupta, none of the Directors of the Company is concerned or interested in the Resolution. Mr. Anuj Gupta holds 37,39,291 shares of the company.
2. The Board of Directors of the Company at its meeting held on 13<sup>th</sup> January, 2007 appointed Mr. Rajneesh Malhotra as an Additional Director, pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company, Mr. Rajneesh Malhotra holds office only upto the date of this Annual General Meeting. The Board considers it desirable to have the expertise of Mr. Rajneesh Malhotra on the Board and recommends his appointment. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Rajneesh Malhotra as Director of the Company. Except Mr. Rajneesh Malhotra, none of the Directors of the Company is concerned or interested in the Resolution. Mr. Rajneesh Malhotra holds 200 shares of the company.

**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 14<sup>th</sup> March 2007 to 28<sup>th</sup> March 2007 (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 52A, 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 respect should be sent to the Company well in advance, so as to reach to the Company prior to book closure. Shares under any defective transfer (unless defect is removed prior to book closure) and/or instrument of transfer received during the period of book closure shall be considered after reopening of books.
5. 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.



**DIRECTOR'S REPORT**

To,

The Members

Hotline Glass Limited

Your Directors are pleased to present the Fifteenth Annual Report together with the Audited Statement of Accounts of the company for the year ended 31<sup>st</sup> December 2006.

**FINANCIAL RESULTS**

(Rs. In Lacs)

Particulars	Year ended 31 <sup>st</sup> December 2006	Year ended 31 <sup>st</sup> March 2006
Sales and Other Income	843	6420
Profit/(Loss) before Depreciation & Financial Expenses	(10196)	571
Financial Expenses	1052	291
Cash Profit/(Cash Loss)	(11248)	280
Depreciation & Misc. Exp. w. off	808	495
Net Profit/(Loss) before tax	(12056)	(215)
Income Tax:		
Tax Including FBT:	2	13
Deferred Tax:	(1241)	(57)
Net Profit/(Loss) After Tax	(10817)	(171)

**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 31<sup>st</sup> December 2006, 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 31<sup>st</sup> December 2006 and your directors have selected and applied the consistent accounting policies and the judgment 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 safeguarding 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 31<sup>st</sup> December 2006 have been prepared on a going concern basis.

**OPERATIONS**

As you are aware, Company has been facing problems and incurring losses due to faulty Government policy of allowing import of Colour picture tubes under Free Trade Agreement (FTA) with Thailand, at concessional rate of duty since September 2004 and at zero duty since September 2006. Due to this policy Hotline CPT Limited, the only buyer, has incurred huge losses. Hotline CPT Limited was not able to arrange for funds also which resulted in total stoppage of production and their demand for funnels.

During the current period Company also received letter from Stressed Asset Stabilization Fund revoking One Time Settlement scheme. Due to this, the Company had to provide entire amount of simple interest on IDBI loan.

Your company was initially producing Black and White tube Glass Parts. However, due to shift in demand from Black & white to Colour TV, for survival of the company, it had to convert the plant from Black & white Glass Parts to Colour Funnel Plant. This entailed an expenditure of approx. Rs. 20 crores. Despite requesting Banks and Institutions, no funding was provided by them and the conversion had to be done through internal resources. As the funnels were supplied to Hotline CPT Limited, a company promoted by your company, the company could survive. CPT manufacturers prefer to buy both Panel & Funnel for tube from one source. It is pertinent to note that in whole value chain from colour glass to colour picture tubes to Colour TV the maximum value addition is in Colour Glass (Panel & Funnel). Because of the competitive nature of the TV industry, on account of emerging new technologies, government policy of allowing imports of Colour Picture Tubes at zero duty, it became imperative for the company to venture into Colour Panel Project. By implementing this project your company could have emerged as profit making and customer centric company. Although the technology for manufacturing Glass Panels was scarce, your company could tie up with LG Philips U.K. for plant and technology.

Your company appointed SREI Capital Market for arranging funds for panel project who could arrange only a small part of the total loan requirement. Despite best efforts funds for the project could not be arranged and the company had to make necessary provision for impairment of assets.

Company had invested Rs. 27 crores in promoting Hotline CPT Limited. Due to adverse government policy Hotline CPT Limited lost its entire net worth. The Company is also registered with BIFR. In view of this a provision of 50% is made in the investment.

Further a sum of Rs.46.84 crores are recoverable from Hotline CPT Limited. Considering the fact that Hotline CPT Limited has made continuous losses and is unable to pay its debts a provision of 40% is considered necessary by the Board.

As a result of continuous losses, the entire net worth of the Company has been eroded and Company has become a Sick Industrial Company with in the meaning of Section 3(1)(a) of Sick Industrial Companies Act, 1985. The Board of Directors have made an opinion that a reference should be filed at the earliest before Hon' able BIFR for the purpose of revival of the Company.

**DIVIDEND**

In view of losses in the current year your directors are not recommending any dividend.

**FUTURE PROSPECTS**

The CPT Industry witnessed sharp decline in the prices as a result of Government's policy to include Colour TV and Colour Picture Tubes in Early Harvest Scheme of Free Trade Agreement (FTA) with Thailand. Under the FTA, TV and tubes can now be imported at Zero duty. As your company is manufacturing glass parts for Colour Picture Tubes and there is good demand for Colour Picture Tubes in India, once the Government policy is corrected, the Company operations can revive.

**CORPORATE GOVERNANCE**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

**HOTLINE GLASS LIMITED****FIXED DEPOSIT**

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

**LISTING**

At present the shares of company are listed on The Stock Exchange, Mumbai. The company has paid the listing fees of The Stock Exchange, Mumbai for the year 2006-2007. The company has completed all the formalities for de-listing from Calcutta and Madhya Pradesh Stock Exchange.

**DIRECTORS**

Mr. D. C. Mathur retires by rotation and being eligible; offer himself for reappointment at the ensuing Annual General Meeting. During the year ended 31.12.2006 Mr. Sanjiv Narayan, Mr. Anuj Gupta, Mr. M.P. Rajan, Mr. G.L. Modi & Mr. Ram K. Gupta resigned from the Board. On 13<sup>th</sup> January 2007 Mr. Anuj Gupta and Mr. Rajneesh Malhotra were appointed as additional Director and Mr. V.N. Masaldan resigned w.e.f. 14<sup>th</sup> January 2007.

Brief resume of the Directors appointed/reappointed, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in Corporate Governance Report forming part of the Annual Report.

**AUDITORS**

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, Delhi, Statutory Auditors of the Company retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The Audit Committee of directors at its meeting held has recommended continuing the appointment of M/s. S. S. Kothari Mehta & Co. as statutory auditors of the Company.

**OBSERVATION OF AUDITORS**

The observations of Auditors are self explanatory and/or have been suitably explained in the notes to the Accounts.

**PARTICULAR OF EMPLOYEES**

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

**INFORMATION OF ENERGY, CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND****OUTFLOW.**

As per annexure.

**ACKNOWLEDGEMENT**

Your directors wish to place on record their sincere appreciation for continuous co-operation, support and assistance provided by shareholders, banks, government bodies, customers, dealers and suppliers of the company. Your directors also wish to place on record their appreciation for the dedicated services rendered by the employees of the Company.

**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

**PLACE : NEW DELHI**

**DATE: 16TH FEBRUARY, 2007**

**Sd/-**

**ANIL GUPTA**

**CHAIRMAN & MANAGING DIRECTOR**

**INFORMATION ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND  
FOREIGN EXCHANGE EARNINGS & OUTFLOW**

**POWER & FUEL CONSUMPTION**

		<b><u>CURRENT YEAR</u></b>	<b><u>PREV. YEAR</u></b>
1.	<b>ELECTRICITY</b>		
a.	Purchased		
	Units (KWH)	1023750	4741650
	Total Amount (Rs. in lacs)	68.82	222.68
	Rate / Unit (Rs.)	6.72	4.70
b.	Own Generation		
	(Through Diesel Generator)		
	Units (KWH)	18700	1274860
	Units per Ltr. of Diesel Oil	4.88	3.69
	Cost \ Unit (Rs.)	7.68	8.14
2.	<b>H.S.D. FOR FURNACE</b>		
	Quantity (K.L.)	9.300	157.037
	Total Cost (Rs. in lacs)	2.55	43.12
	Rate / Unit (Rs. per K.L.)	27453.62	27458.42
3.	<b>F.O. / L.D.O. FOR FURNACE</b>		
	Quantity (K.L.)	162.578	1850.051
	Total Cost (Rs. in lacs)	29.36	326.82
	Rate / Unit (Rs. per K.L.)	18059.49	17665.52
4.	<b>PROPANE</b>		
	Quantity (M.T.)	112.82	433.658
	Total Cost (Rs. in lacs)	34.21	133.94
	Rate / Unit (Rs. per M.T.)	30323.68	30887.22

**CONSUMPTION PER UNIT OF PRODUCTION  
PRODUCT - GLASS PARTS PANEL/FUNNEL**

	<b><u>STANDARDS (IF ANY)</u></b>	<b><u>THIS YEAR</u></b>	<b><u>PREVIOUS YEAR</u></b>
- ELECTRICITY	N.A.	0.00 KWH	5.81 KWH
- H.S.D. & L.D.O.	N.A.	0.00 LTR	2.09 LTR
- PROPANE	N.A.	0.00 KG	0.42 KG

**B. RESEARCH & DEVELOPMENT**

The company has strong Research & Development base. However due to very limited operations during the year there has been no significant change in the production techniques

**C. FOREIGN EXCHANGE EARNING / OUTFLOW**

Total foreign exchange outflow by Company during the period is Rs. 26.09. lacs for import of Raw Materials

**COMPLIANCE REPORT ON CORPORATE GOVERNANCE***(Clause 49 of the Listing Agreement as amended up to date)***COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Hotline's philosophy on Corporate Governance envisages achieving highest standards of accountability, transparency and equity in all its spheres and in all its dealings with its stakeholders. Hotline Glass Limited is committed to establishing and diligently following the highest standards of Corporate Governance in its pursuit of profitable growth and enhancement of shareholder's value.

Company believes that any business conduct can be ethical only when it rests on the core values of Honesty, Fairness, Trust, Transparency and Responsibility towards not only stakeholders but also to entire society.

Hotline Glass continues to follow procedures and practices in conformity with the Code of Corporate Governance as stipulated by SEBI.

**I BOARD OF DIRECTORS****A. Composition of Board**

As on 31<sup>st</sup> December 2006, the Board of Directors consists of three directors, out of which two are non-executive directors. Mr. Anil Gupta is a Promoter Director and is designated as Chairman-cum-Managing Director.

The composition of Board of Directors is as follows.

Name	Category	Designation	Number of other Directorship held in public/pvt. Companies	Number of Board level committees where member	Number of Board level committees where chair person
Mr. Anil Gupta	Promoter Director	Chairman cum Managing Director	7	5	2
Mr. V. N. Masaldan	Independent NonExecutive Director	Director	4	8	NIL
Mr. D. C. Mathur	Independent Non Executive Director	Director	3	8	4

The Chairman is an Executive Director and the number of Independent Non-Executive Directors on the Board is more than 50% of the Board strength at any point of time as defined in clause 49 of the listing agreement.

B. None of the non-executive directors has any pecuniary relationship with the company.

C. 1. During the year, the Board of Directors of your company has met 6 times. The dates on which the meetings were held are 22.4.2006, 28.7.2006, 23.8.2006, 30.09.2006, 28.10.2006 and 17.11.2006 and the gap requirement of four months between two meetings has been complied.

All relevant information, as per clause 49 of the listing Agreement was placed before the Board from time to time.

Name of Directors	Number of Board Meetings held during the year	Number of Board Meetings attended	Last AGM Attendance (Yes/No)
Mr. Anil Gupta	6	5	No
Mr. V. N. Masaldan	6	6	Yes
Mr. D. C. Mathur	6	6	Yes
Mr. Sanjiv Narayan*	6	6	Yes
Mr. G. L. Modi*	6	NIL	No
Mr. Anuj Gupta*	6	6	Yes
Mr. Ram K. Gupta*	6	5	No
Mr. M. P. Rajan*	6	5	Yes

\* Mr. Sanjiv Narayan, Mr. G.L. Modi, Mr. M.P. Rajan, Mr. Ram K. Gupta and Mr. Anuj Gupta, resigned from Directorship and approved 17.11.2006.

2. None of the Directors of your company were members in more than 10 committees or acted as chairman of more than 5 committees across all companies in which they were Directors. Details of Board Membership positions occupied by the Directors, across all companies, are given at the beginning of the section.

**D. Code Of Conduct**

The board had laid down a code of conduct for all the board members and senior management personnel of the company, which is also available on the website of the company. All Board Members and Senior Management Personnel to whom the code of conduct is applicable have affirmed compliance with the code. The Declaration to this effect by C.E.O. is enclosed

**II AUDIT COMMITTEE**

The Board has constituted an Audit Committee of Directors in accordance with the requirements of Sec 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement.

**A. Composition, name of members and chairperson**

The Audit Committee of the company initially comprised of Mr. Sanjiv Narayan, Mr. M.P. Rajan and Mr. D. C. Mathur. Subsequent to the resignation of Mr. Sanjiv Narayan and Mr. M.P. Rajan, Mr. Anil Gupta and Mr. V.N. Masaldan were appointed as Audit committee members and Mr. D.C. Mathur became the chairman of the Audit Committee as on 31.12.2006

Mr. D. C. Mathur is a well qualified professional, fellow-member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost and Works Accountants of India. He possesses good knowledge and has rich experience in the field of finance, accountancy and corporate laws. He is Joint Managing Director of Hotline CPT Ltd.

Mr. Anil Gupta is the main promoter of Hotline Group of Companies and has more than 35 years of business experience. He has been awarded with "Electronic Man of the Year" award in the year 2001 by CETMA and also a similar award by 'Electronics for You' magazine in the year 2005. He has also been honoured with "Udyog Ratna" award by Government of Madhya Pradesh in April 2005.

Mr. V. N. Masaldan is a law graduate. He possesses 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., Hotline CPT Limited, Hotline Display Devices Ltd. He is member of Audit Committee of Hotline CPT Limited and Hotline Display Devices Limited and is also member of Shareholder Grievance Committee of your company and Hotline Teletube & Components Ltd.

The Company Secretary acts as the Secretary of the Audit Committee.

**B. During the year, the Audit Committee has met 5 times and the gap between two meetings was less than four months. The dates on which the meetings were held are 22.04.2006, 28.07.2006, 23.08.2006, 28.10.2006, and 17.11.2006.**

<b>Name</b>	<b>Number of meetings held during the year</b>	<b>Number of meetings attended during the year</b>
Mr. Sanjiv Narayan	5	5
Mr. M.P. Rajan	5	5
Mr. D.C. Mathur	5	5
Mr. Anil Gupta*	5	1
Mr. V.N. Masaldan*	5	1

(\*appointed on 17.11.2006 only)

The Internal Auditor was present in the Audit Committee meetings as stipulated in the code but the Finance head was granted leave for attendance.

The representative of External Auditor participated in Audit Committee Meeting held for review of Annual Accounts.

The Chairman of the Audit Committee is present in the AGM to answer shareholders queries.

#### **C. Power Of Audit Committee**

The Audit Committee inter alia, has following powers

1. To investigate any activity within terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure the attendance of outsiders with relevant expertise, if considers necessary.

#### **D. Role of Audit Committee**

The role of audit committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, the reappointment and, if required, replacement or removal of statutory auditors and the fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by statutory auditors
4. Reviewing, with the management, the annual financial statements before submission to the Board, with particular reference to :
  - a. Matters required to be included in the Directors Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit finding.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, and the adequacy of internal control system.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit..
8. Discussion with the internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors in to matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
10. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look in to reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.
13. Carrying out any other function as is mentioned in terms of reference of the Audit Committee.

#### **E. Review of Information By Audit Committee**

The Audit Committee reviews the following information:

1. Management discussion and analysis of the financial condition and results of the operation;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
3. Management letters / letters of internal control weaknesses issued by Statutory Auditors;
4. Internal Audit reports relating to internal control weaknesses ; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor are subject to review by the Audit Committee.

**HOTLINE GLASS LIMITED**

III The Company does not have any subsidiary Company.

**IV DISCLOSURES**

- A. Related party transactions and its details as given in Clause 49 are placed before Audit Committee.  
 B. While preparing the financial statements, the company has followed prescribed accounting standards..  
 C. Your Company has established the adequate procedures for the purpose of ensuring that identified risk is effectively managed through properly defined framework.  
 D. During the year the Company has not raised any funds by way of Public Issues, Right Issues Preferential Issues etc.  
 E. **Remuneration of Directors**

The company does not have any pecuniary relationship with any Non-Executive Directors. The sitting fees paid for the year ended 31<sup>st</sup> December 2006 to the Directors are as follows:

Name of the Director	Sitting Fees(Rs.)	No. of Shares
Mr. Anil Gupta	NIL	2,58,74,840
Mr. V. N. Masaldan	5000/-	10
Mr. D. C. Mathur	10000/-	310
Mr. G. L. Modi	NIL	NIL
Mr. Sanjiv Narayan	10000/-	8710
Mr. Ram K. Gupta	5000/-	NIL
Mr. Anuj Gupta	5000/-	37,39,291
Mr. M. P. Rajan	10000/-	NIL
<b>Total</b>	<b>45000/-</b>	

The Company has paid sitting fees to all Directors except to Managing Director at the rate of Rs. 5000/- up to 23-04-2006 only. Due to the current financial problem it was mutually decided not to continue with the payment of sitting fees.

**F. MANAGEMENT****Management discussion and Analysis Report**

- Industry Structure and Development* – The business of the company is directly related to the business of TV Industry. The company is producing Glass parts for Colour Picture Tubes. The business of the company is dependant upon the working of Hotline CPT Ltd to whom it has been supplying Glass Parts.
- Opportunities and Threats* – Lower penetration level in domestic market creates good opportunity for the company as demand for TV is expected to go up with the rural electrification. The expected increase in demand, especially in rural area, is an opportunity for the company to manufacture Glass Parts for Colour TV.  
 The company is facing threat due to lowering of duties on Colour Picture Tubes under Free Trade Agreement with Thailand. As per the Free Trade Agreement the rate of Import duty has gone down to 0% w.e.f. September 2006. This has seriously affected the working of Hotline CPT Ltd, which in turns has adversely affected the business of our company. Further non availability of funds to Hotline CPT Ltd has hampered the production of Hotline CPT and its operations have come to a grinding halt. Due to this there is no demand from Hotline CPT Limited.
- Segment wise or Product wise performance* – The Company has been engaged in the production of Glass Parts for Television Picture Tube and in trading of Picture Tube Parts. The segment wise results are discussed in detail in notes to accounts.
- Outlook* – Though the outlook of TV Industry appears to be a good in long run, non availability of funds to Hotline CPT Ltd and government policy of allowing Import for Colour Picture Tube at zero duty under Free Trade Agreement from Thailand has seriously affected the business of the Company.  
 Despite best efforts from the Company, funds are not provided by Banks, Institutions for Panel Project. The company has also tried for financing from private funds. However till date the financial closure could not be done. In the absence of funding it is doubtful if the panel project could be started. Accordingly necessary provision is made in accounts for impairment of plant, as per accounting standards.
- Risks and Concerns* – The biggest risk for the company is stoppage of production of Hotline CPT Ltd., which has been caused by lowering of prices of Colour Picture Tubes due the Free Trade Agreement with Thailand. It has been informed that Hotline CPT Ltd. tried for funds to run its operation. However even after making detail study, no bank provided need base funds to Hotline CPT Ltd. This resulted in stoppage of the production of Hotline CPT Ltd. As there is no demand of Hotline CPT Ltd., the production of Hotline Glass Ltd. is also stopped.
- Internal Control Systems and their adequacy* – The Company has internal control system and procedures commensurate with its size and nature of business. The internal control systems are supported by internal audit carried out internally. The adequacy and effectiveness of the internal control, as well as compliance with the laid down systems and policies are comprehensively monitored by the internal auditors. The Internal Audit Reports of the Internal Auditors are discussed at the Audit Committee Meetings and appropriate corrective steps have been taken.
- Discussions on financial performance with respect to operational performance* – During the year under review, the company have incurred a net loss before tax of Rs.120.56 Crores as against net loss before tax of Rs. 2.15 Crores in the year 2005-2006. The losses are high due to low volume of production caused by low demand. Further the company has made provisions for impairment of Glass Panel Equipments, investment in Hotline CPT Limited and for the amount recoverable from Hotline CPT Limited as explained in the notes to accounts.
- Material developments in Human Resources/Industrial Relations front, including number of people employed* – Your Company believes in employee's involvement in achieving the organizational objectives and focused its efforts to upgrade the skills of its workforce to take up the challenges in present cutthroat competition.  
 Your company is conscious and committed in providing equal opportunities to the employees to excel in their work and advance themselves in their career depending on their abilities.  
 The company provides in-house training to its employees and maintaining safety and healthy environment for workers working within the factory premises.  
 The company employs 346 workers. As a result of sound Human Resources policies the industrial as well as labour relations have been good and cordial.