

HOTLINE

17th Annual Report 2005-2006

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Hotline Teletube & Compo

HOTLINE TELETUBE & COMPONENTS LIMITED

17th Annual Report 2005 - 2006

BOARD OF DIRECTORS

Shri Anil Gupta – Chairman
 Shri V. N. Masaldar – Managing Director
 Shri Amarjit Chopra – Director
 Shri Sanjiv Narayan – Director
 Shri D. C. Mathur – Director
 Shri Anuj Gupta - Additional Director
 Shri M. P. Rajan - Additional Director

BANKERS

Punjab National Bank
 Mid Corporate Branch, Barakhamba Road,
 New Delhi – 110001

STATUTORY AUDITORS

M/s. S. S. Kothari Mehta & Co., Chartered Accountants
 Plot No. 146-149, Tribhuvan Complex,
 Ishwar Nagar, Mathura Road
 New Delhi – 110065

REGISTERED OFFICE

139, Malanpur Indl. Area,
 Distt. Bhind, Madhya Pradesh

HEAD OFFICE

52 A, Okhla Industrial Estate,
 Phase – III,
 New Delhi – 110020
 Phone No. 26311601
 Fax: 26916386

REGISTRAR

Design Spectrum Registry Limited
 1st floor
 Industrial Area
 Naraina
 110028
 New Delhi 110028

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NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of Hotline Teletube & Components Limited will be held on Saturday, 30th September, 2006 at 11:00 A.M. at GBA 1-3, Ghirongi Industrial Area, Malanpur, 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 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 10 shares of the company.
3. To appoint a Director in place of Mr. Amarjit Chopra who retires by rotation and being eligible, offers himself for reappointment. Mr. Amarjit Chopra has no shareholding in the company.
4. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

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. 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."

FOR AND ON BEHALF OF BOARD OF DIRECTORS

PLACE : NEW DELHI
DATE : 23.08.2006

V. N. MASALDAN
MANAGING DIRECTOR

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

The Board of Directors of the Company at its meeting held on 5th December, 2005 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 in J.D. Exim Pvt. Ltd and Hotline CPT Limited. He is 29 years old and is associated with the Company for last few 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 3,43,300 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 16th September 2006 to 30th September 2006 (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.
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.
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.

DIRECTOR'S REPORT

To,
The Members
Hotline Teletube & Components Ltd.

Your Directors are pleased to present the Seventeenth Annual Report together with the Audited Statement of Accounts of the company for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended 31 st March 2006	Year ended 31 st March 2005
Sales and Other Income	4796	6467
Profit/(Loss) before Depreciation and Financial Expenses	320	467
Financial Expenses	200	227
Cash Profit/(Cash Loss)	120	240
Depreciation	136	128
Net Profit/(Loss) before tax	-16	112
Income Tax:		
Tax Including FBT:	13	61
Deferred Tax:	-13	-39
Net Profit After Tax	-16	90

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:

- In the preparation of Annual Accounts for the year ended 31st March 2006, the applicable Accounting Standards have been followed.
- 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 2006 and your directors have selected and applied the consistent Accounting Policies and the judgement and estimates made therein are reasonable and prudent.
- 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.
- The Annual Accounts for the year ended 31st March 2006 have been prepared on a going concern basis.

OPERATIONS

During the year, the company has incurred a net loss of Rs.16 lakhs as against a net profit after tax of Rs.90 lakhs in the year 2004-2005. Considering decline in Black & white TV industry, your company had started manufacturing sheet metal parts for Colour TV tubes. It has been supplying these parts to Hotline CPT Limited. During the year under review the scale of operations of Hotline CPT Limited were severally effected due to non availability of funds. This affected the results of your Company as well. The turnover including other income declined from Rs. 64.67 crores to Rs. 47.96 crores.

DIVIDEND

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

FUTURE PROSPECTS

There is still some demand for Black & White Televisions. However, due to high rate of taxation, the sales in organized sector have gone down drastically. Your Company has represented to government for reduction in excise duty and sales tax to shift the business to organized sector. Besides there is market for black & white picture tubes in CCTV, Defence Application etc. Decision to produce Black & White Tubes will depend on the Government policy and demand from other applications.

The focus of the Company is to produce sheet metal parts for Colour Picture Tube industry. The profitability of the Company is dependant on the Colour TV industry which is witnessing a growth of over 12-15% for last 5 years. Presentably Company is producing sheet metals parts for Hotline CPT Limited only. It has plans to diversify into production of sheet metal parts for other Companies within or outside the Industry as well to fully utilize its capacity. If the scales of Hotline CPT Limited increase, the profitability of your Company will also improve.

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.

FIXED DEPOSIT

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

HOTLINE TELETUBE & COMPONENTS LIMITED**DELISTING**

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.

During the year the share of the Company got De-listed from Calcutta Stock Exchange. The Company has completed all formalities for De-listing from Madhya Pradesh Stock Exchange as well..

DIRECTORS

Mr. D.C. Mathur and Mr. Amarjit Chopra retire by rotation and being eligible; offer themselves for reappointment at the ensuing Annual General Meeting. Mr. Anuj Gupta was appointed as Additional Director till the Annual General Meeting. He is to be appointed by you as a Director of the Company subject to retirement by rotation.. Brief resume of the above Directors, 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. During the year Mr. Govind Narain, and Col B.K. Rai resigned from the Directorship of the Company.

AUDITORS

M/s. S. S. Kothari Mehta and 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 and Co. as Statutory Auditors of the Company.

OBSERVATION OF AUDITORS

The observation of Auditors is self explanatory and/or has been suitably explained in the notes to the Accounts.

PARTICULAR OF EMPLOYEES

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

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

The Company changed critical operations of the plant from DG Power to State Power thus saving substantial amount on Power cost. It has planned to use electricity based on CNG to save further cost in coming years.

TECHNOLOGY ABSORPTION

Company has developed various new Sheet Metal Parts through In-House Technology. It has designed various tools and dies which have improved the efficiency levels.

B. RESEARCH & DEVELOPMENT

In order to minimize wastage of Chemicals, raw materials and other process wastes and increase productivity the company carries continuous Research & Development As a result of this Research & Development activity company saved substantial amount on cost of important raw materials and power. The expenditure on Research & Development is booked in respective accounting heads.

C. FOREIGN EXCHANGE EARNINGS & OUTFLOW

Total foreign exchange outflow by Company during the period is Rs.240 Lacs for imports, commission on sale and traveling and foreign exchange earned during the period is Rs. 53 Lacs from exports.

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 : 23.08.2006

**V. N. MASALDAN
(MANAGING DIRECTOR)**

HOTLINE TELETUBE & COMPONENTS LIMITED**COMPLIANCE REPORT ON CORPORATE GOVERNANCE****(Clause 49 of the Listing Agreement)****I 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 Teletube & Components Ltd. 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 Teletube & Components Ltd. continues to follow procedures and practices in conformity with the Code of Corporate Governance as stipulated by SEBI.

II BOARD OF DIRECTORS**A Composition of Board**

As on 31st March 2006, the Board of Directors consists of seven Directors, out of which six are Non-Executive Directors. Mr. V. N. Masaldan, Managing Director is the only Executive 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	7	NIL	NIL
Mr. V. N. Masaldan	Executive Director	Managing Director	4	4	NIL
Mr. D. C. Mathur	Independent Non Executive Director	Director	3	4	2
Mr. Sanjiv Narayan	Independent Non Executive Director	Director	5	2	3
Mr. M. P. Rajan	Independent Non Executive Director	Director	2	1	NIL
Mr. Amarjit Chopra	Independent Non Executive Director	Director	2	3	NIL
Mr. Anuj Gupta*	Independent Non Executive Director	Director	5	NIL	NIL

*Mr. Anuj Gupta was appointed as Additional Director on 05.12.2005 till commencement of ensuing Annual General Meeting.

The Chairman is a Promoter 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.

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 met 6 times. The dates on which the meetings were held are 27.4.2005, 23.7.2005, 13.08.2005, 30.9.2005, 28.10.2005 and 31.01.2006 and the gap requirement of four months between two meetings has been complied with.

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	6	Yes
Mr. V. N. Masaldan	6	6	Yes
Mr. D. C. Mathur	6	5	No
Mr. Govind Narain*	6	5	No
Mr. Sanjiv Narayan	6	4	No
Mr. M.P. Rajan	6	5	Yes
Mr. Amarjit Chopra	6	NIL	No
Mr. Anuj Gupta	6	1	No
Col. B.K. Rai*	6	6	Yes

* Mr. Govind Narain and Col. B. K. Rai, resigned from Directorship w.e.f 28.03.2006

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 Company 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.

HOTLINE TELETUBE & COMPONENTS LIMITED**A. Composition, name of members and chairperson as on 31.03.2006**

The Audit Committee of the Company comprised of Mr. Sanjiv Narayan, Mr. M.P. Rajan and Mr. D. C. Mathur, all being Non-Executive and Independent Directors.

Mr. Sanjiv Narayan is the Chairman of the committee and is a Non-Executive and Independent Director. He is an IIT alumnus and MBA and has vast experience in Electronic Industry. He has held the position of President of Electronics Industries Association twice.

Mr. M. P. Rajan was a senior officer of the Indian Administrative Services for 25 years. He holds a Masters Degree in Corporate Finance from Strathclyde University, Glasgow. He has been Chairman of the Madhya Pradesh Council of the CII for 6 years and also a member of the National Council of the CII. He has been appointed on Audit Committee immediately after resignation of Col B.K. Rai on 28.03.2006

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.

The Company Secretary acts as the Secretary of the committee.

B. During the year, the Audit Committee met 5 times and the gap between two meetings was less than four months. The dates on which the meetings were held are 27.4.2005, 23.7.2005, 13.08.2005, 28.10.2005 and 31.1.2006.

Name	Number of meetings held during the year	Number of meetings attended during the year
Mr. Sanjiv Narayan	5	4
Mr. D. C. Mathur	5	5
Col. B. K. Rai	5	5
Mr. M. P. Rajan	5	NIL*

(*appointed on 28.03.2006)

The Finance Head and Internal Auditors were present in the Audit Committee meetings as stipulated in the code. The representative of external auditors also participated in Audit Committee Meeting held for review of Annual Accounts.

Normally, the Chairman of the Audit Committee is present in the AGM to answer shareholders queries. However due to pressing circumstances he could not attend the AGM held on 30-09-2005. The queries of the shareholders were answered by the chairman of the Board.

C. Powers 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, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required, to be included in the Director's 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 the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - 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, the performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of the internal audit function, 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 internal auditors any significant findings and follow up there on.
9. 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.
10. Discussion with 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 into the 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.

HOTLINE TELETUBE & COMPONENTS LIMITED**C. Revise 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.

III The Company does not have any subsidiary Company.

IV DISCLOSURES

A. Details of Related Party Transactions as stipulated in Clause 49 are placed before the Audit Committee.

B. While preparing the financial statements, 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

Remuneration to Mr. V. N. Masaldan, Managing Director is payable within the limit of Schedule XIII of the Companies Act, 1956. Disclosure of remuneration payable to Mr. V. N. Masaldan is given below –

- Basic Salary	Rs.4,57,620/-
- Allowances, perquisites and other benefits	Rs 2,46,304/-
- Provident Fund	Rs. 54,912/-

He was reappointed as Managing Director on 30th May, 2003 for a term of 5 years. He holds 710 shares of the company.

No Remuneration is paid to Mr. Anil Gupta, Promoter Director designated as Chairman, Company is not paying any remuneration to the Non-Executive Directors.

The sitting fees paid for the year ended 31st March 2006 to the Directors are as follows:

Name of the Director	Sitting Fees (Rs.)	No. of Shares
Mr. Anil Gupta	24,000/-	14,35,390
Col. B. K. Rai	43,000/-	NIL
Mr. Amarjit Chopra	NIL	NIL
Mr. Govind Narain	19,000/-	NIL
Mr. Sanjiv Narayan	34,000/-	NIL
Mr. D. C. Mathur	38,000/-	10
Mr. Anuj Gupta	5,000/-	3,43,300
Mr. M. P. Rajan	19,000/-	NIL
Total	1,82,000/-	

The Company pays sitting fees to all Directors except to Managing Director at the rate of Rs.2000/- upto 23.07.2005 and Rs. 5000/- w.e.f. 13.08.2005 for attending meeting of the Board and Audit Committee.

F. MANAGEMENT**1. Management discussion and Analysis Report**

- **Industry Structure and Development** – The business of the Company is dependant on the growth of the TV industry, as the Company is dealing in various components of television. The TV industry is growing at 12 to 15% per annum. The Black & White TV market is being slowly replaced by colour TV.
- **Opportunities and Threats** –As the purchasing power continue to increase steadily the demand for Colour TV is growing. Due to low level of penetration of Colour TVs in urban, semi-urban as well as rural market all these areas will continue to have increased demand in coming years for Colour TVs. Further global increase in demand especially from developing countries is expected to increase demand. Hence, there is great opportunity for the company to manufacture the parts required in this industry. Lowering of custom duties on TV, Picture Tubes and other major components of TV poses a challenge for the Industry.
- **Segment wise or Product wise Performance** – The Company has been engaged in the business of picture tubes and components and no separate segment has been identified.
- **Outlook** – The outlook for Colour TV industry is bright due to:-
 - (i) Decline in the prices of Colour TV coupled with increasing per capita income of the country.
 - (ii) Unexplored rural market having low penetration levels presently
 - (iii) Emphasis of the Government on Rural Electrification.

As the future of your Company is directly related to the growth of Colour TV industry, the outlook for the Company is positive.

- **Risks and Concerns** – Being dependent on a single buyer, though the market for Colour TV and Colour Picture Manufacturing is increasing in the country. To mitigate this risk your Company plans to expand its customer base from TV as well as other industries.
- **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 by professional audit firms aiming at increasing operational efficiency and achieving cost efficiency and reduction in overheads at all ends of the business operations

The Internal Audit Reports of the Internal Auditors are discussed at the Audit Committee Meetings and appropriate corrective steps have been taken.