



**Goldstone**

**Goldstone Technologies Limited**



***Tenth Annual Report 2003–2004***

## Board of Directors

<b>M P Mehrotra</b>	Chairman
<b>K V S Chalapathi Rao</b>	Executive Director
<b>L P Sashikumar</b>	Director
<b>V Srinivas Rao</b>	Director
<b>Douglas K Mellinger</b>	Director
<b>Dr. M.V.R. Kamesam</b>	Director
<b>Mahita Prasad Caddell</b>	Director

## Contents

### Statutory Auditors

P.R. Pramodkumar  
Chartered Accountants  
309, Aaltos A & M Trade Centre  
3-6-561, Himayathnagar Main Road  
Hyderabad -500029.  
Telephone : 55107552

### Registered Office & Development Centre

#### Goldstone Technologies Limited

9-1-83 & 84  
Amarchand Sharma Complex  
S D Road,  
Secunderanad-500 003

#### United States

##### Vienna

8603 Westwood Center  
Dr. Ste 200  
Vienna, Virginia 22182  
www.goldstonetech.com

	Page No.
1. Notice	1
2. Directors' Report	7
3. Corporate Governance	9
4. Management Discussion Analysis	15
5. Auditors' Report	17
6. Balance Sheet	20
7. Profit & Loss Account	21
8. Schedules Forming Part of Accounts	22
9. Significant Accounting Policies & Notes to Accounts	28
10. Statement of Cash Flows	32
11. Balance Sheet Abstract & Company's Business Profile	33
12. Consolidated Financial Statements	34

### Annual Reports of Subsidiary Company

#### Prime Soft LLC

	Page No
1. Directors' Report	47
2. Balance Sheet and Profit & Loss Account	48

## Notice

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held on Thursday, the 30<sup>th</sup> day of September 2004 at 10.30 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051 to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance sheet as at 31<sup>st</sup> March 2004 and Profit and Loss Account for the year ended as on that date along with Directors Report and Auditors Report thereon.
2. To appoint a Director in place of Mr. Douglas K Mellinger, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. M V S R Kamesam, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. P. R. Pramodkumar & Co., Chartered Accountants, retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board".

### SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

"Resolved that Mr. M V S Chalapathi Rao, who was appointed as Additional Director of the Company during the year, be and is hereby appointed as Director of the Company liable to retire by rotation".

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

"Resolved that Mr. V. Srinivasa Rao, who was appointed as Additional Director of the Company during the year, be and is hereby appointed as Director of the Company liable to retire by rotation".

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

"Resolved that Mr. M.P. Mehrotra, who was appointed as Additional Director of the company during the year be and is hereby appointed as Director of the Company liable to retire by rotation".

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time and as recommended by the remuneration committee, the consent of the Company be and is hereby accorded for appointment and regularization of Dr. M.V.S.R Kamesam as Whole Time Director of the company for the period from 30<sup>th</sup> April 2004 to 1<sup>st</sup> July 2004 at a consolidated remuneration of Rs.50000/- per month.

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII (as amended from time to time) to the said Act, and as recommended by the remuneration committee the consent of the Company be and is hereby accorded for appointment of Mr. K.V.S. Chalapathi Rao as Executive Director of the Company for a period of two Years with effect from 29<sup>th</sup> May 2004 at a remuneration as



detailed below.

I. Salary: Rs.90, 000 Per Month

**Perquisites:**

1. Housing: Rent Free Accommodation or House Rent Allowance of Rs. 30,000 Per month
2. Other Allowances like Maintenance of house office, Subscription to internet, Professional Development Allowance, Dress Allowance, Gardener, Servant etc; not exceeding Rs. 10,000 Per month.
3. Contribution to Provident Fund, Superannuation Fund or Annuity Fund. This will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half month's salary for each completed year of service.
4. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
5. Provision of Car for use on Company's business and Telephone at residence. These will not be considered as perquisites. The company shall bill personal long distance calls on telephone and the use of the car for private purpose.
6. In the event of loss or inadequacy of profits in any financial year during the currency of tenure of his services, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII of the companies Act, 1956 including any statutory modification or re-enactment thereof, as may for the time being in force.

**10. To consider and if thought fit, to pass, with or without modification(s), the following**

**resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII amended from time to time to the said Act, and as recommended by the remuneration committee the consent of the Company be and is hereby accorded for appointment of Mr. V. Srinivasa Rao as Whole time Director of the company designated as President for a period of two Years with effect from 29<sup>th</sup> May 2004 at consolidated remuneration of 11000 US Dollars per month.

"RESOLVED FURTHER that In the event of loss or inadequacy of profits in any financial year during the currency of tenure of his services, the payment of salary shall be governed under Section II of the Part II of Schedule XIII of the companies Act, 1956 including any statutory modification or re-enactment thereof, as may for the time being be in force.

**11. Special Resolution.**

"RESOLVED that subject to the provisions of Securities and Exchange Board of India Guidelines, the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulations) Act, 1956, and the rules framed there under, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution), the Consent of

the Company be and is hereby accorded to the Board of Directors of the Company to de-list the Equity Shares of the Company from the Stock Exchanges located at Hyderabad (Regional Stock Exchange), Ahmedabad, Madras, New Delhi."

**12. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.**

"RESOLVED that pursuant to the Provisions of Section 17 and other applicable provisions if any of the companies Act, 1956 consent of the company be and is hereby accorded for amendment of Clause III B i.e. Object incidental or Ancillary to the attainment of Main Objects by insertion of the following new sub-clause 12A after the existing sub-clause 12 of Clause III B of the Memorandum of Association of the

company."

"12A: In relation with the business of the Company to guarantee or extend the corporate guarantee in relation to the payment of money secured or unsecured by or payable under or in respect of promissory notes, bonds, debentures, debentures stocks, contracts, mortgages, charges, obligations, instruments and securities of any or any authority supreme, municipal, local or otherwise, or of any person however, whether incorporated or not incorporated and generally to guarantee or become sureties for the performance of any contracts or obligations.

For and on behalf of the Board

Sd/-

Place : Secunderabad

**Mr. K. V. S. Chalapathi Rao**

Date : 16<sup>th</sup> August 2004

Executive Director

## Notes:

- a) The Explanatory Statements relating to Item Number(s) 5 to 9 of the Special Business of the Meeting referred to above is annexed to this Notice as required by Section 173 of the Companies Act, 1956.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 28<sup>th</sup> September 2004 to Thursday, 30<sup>th</sup> September 2004 (both days inclusive) for the purpose of Annual General Meeting.
- d) The members are requested to intimate to the Company at 9-1-83 & 84, Amarchand Sharma Complex, S.D.Road, Secunderabad - 500 003, changes, if any, in their Registered address along with Pin Code number.
- e) Members who are having multiple Folios with identical names are requested to inform Folio Numbers, to enable the Company to consolidate the same into Single Folio.
- f) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- g) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.



## Additional Information on Directors Recommended for Appointment/Seeking Re-election at the Ensuing Annual General Meeting

### Mr. M V S R Kamesam

Dr M V S R Kamesam aged 53 years is an M. Tech from IIT Kharagpur. He also holds Post Graduate Diploma in Management from IIM Bangalore and Ph. D in Organisational Transformation. He has over 31 years of Industrial experience in various reputed Companies. He has been associated with the Company as Director since 2003.

### Mr. Douglas M Millinger

Mr Douglas K Millinger is the Founder and Vice-Chairman of Foundation Source. He was earlier a partner with Interact Capital Partner (IPC), an Investor and Investment Banker for early stage Technology Companies. He is also the founder of Enherent a Global Software Development and Services Company.

### Mr. K.V.S. Chalapathi Rao

Mr. K V S Chalapathi Rao aged 30 years has a Bachelor in Engineering and Post Graduation Diploma in Planning and Project Management. He has over 10 years of experience in the areas of Operations, System Modernization and Corporate

Strategic Planning and worked for reputed Multi National Companies.

### Mr. V. Srinivasa Rao

Mr. V Srinivas Rao aged 36 years has done Masters in Computers from IIT Kanpur. He has over 14 years of experience in Operations and International Business Development. He has worked with Multi National Companies. He has been working at US headquarters of Goldstone since the year 2000.

### Mr. Mahesh Prasad Mehrotra

Mr. Mahesh Prasad Mehrotra aged 63 years is a Practicing Chartered Accountant having 42 years of experience and he is founder partner of Mehrotra and Mehrotra, Chartered Accountants, Kanpur and Delhi. He is a member, Task Force for MOUs, Ministry of Heavy Industries and Public Enterprises, Government of India, Department of Public Enterprises, for the year 2004-2005. He has been associated as Director / Trustee in Public / Private Limited companies and Trusts.

## Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

### Item No's: 5, 6 & 7

Mr. K.V.S. Chalapathi Rao, Mr. V. Srinivasa Rao and Mr. Mahesh Prasad Mehrotra were appointed as Additional Directors of the Company in the Board Meeting(s) held on 29<sup>th</sup> May 2004 and 19<sup>th</sup> July 2004 respectively and they hold office till the conclusion of the ensuing Annual General Meeting.

Notice(s) pursuant to the provisions of Sec 257 of the Companies Act, 1956, together with the requisite deposit(s) have been received from the members proposing his/their candidature for the office of Director(s) liable to retire by rotation.

Your Directors recommend the resolution for approval of the members.

None of the Directors except Mr. K.V.S. Chalapathi Rao, Mr. V. Srinivasa Rao and Mr. Mahesh Prasad Mehrotra, is in anyway concerned or interested in this resolution.

### ITEM 8:

Dr M V S R Kamesam is an M. Tech from IIT Kharagpur and has 31 years of Industrial experience in various reputed Companies. He also holds Post Graduate Diploma in Management from IIM Bangalore and Ph. D in Organisational Transformation. He has been associated with Goldstone Technologies Limited as Director of the company since 2003

The Board of Directors in their meeting held on 30<sup>th</sup> April 2004, on the recommendation of the



Remuneration Committee and subject to the approval of shareholders, have resolved to appoint him as Whole time Director of the company for a period of 1 year with effect from 30<sup>th</sup> April 2004 on the terms and conditions detailed in the Resolution 8. However, he was relieved from his duties as Whole time Director on 1<sup>st</sup> July 2004.

As per the provisions of Section 269, 198, 309,310 read with Schedule XIII of the companies Act, 1956 approval of shareholder required by passing of Ordinary resolution in the General Meeting and hence the Directors recommend the resolution for your approval.

This explanatory note together with the notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in this resolution except Dr. M.V.S.R Kamesam.

#### ITEM 9:

Mr. K.V.S Chalapathi Rao

The Board of Directors in their meeting held on 30<sup>th</sup> April 2004, on the recommendation of the remuneration committee, have resolved to appoint Mr. K V S Chalapathi Rao as Executive Director of the company for a period of 2 years with effect from 29<sup>th</sup> May 2004 on the terms and conditions detailed in the Resolution 9.

As per the provisions of Section 269, 198, 309,310 read with Schedule XIII of the companies Act, 1956 approval of shareholders is required by passing of Ordinary resolution in the General Meeting and hence the Directors recommend the resolution for your approval.

This explanatory note together with the notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in this resolution except Mr. K.V.S. Chalapathi Rao.

#### ITEM 10:

Mr. V. Srinivasa Rao

The Board of Directors in their meeting held on 30<sup>th</sup> April 2004, on the recommendation of the remuneration committee, have resolved to appoint Mr. V Srinivasa Rao as Whole-time Director and designate him as President of the Company for a period of 2 years with effect from 29<sup>th</sup> May 2004 on the terms and conditions detailed in the Resolution 10.

As per the provisions of Section 269, 198, 309,310 read with Schedule XIII of the companies Act, 1956 approval of shareholders is required by passing of Ordinary resolution in the General Meeting and hence the Directors recommend the resolution for your approval.

This explanatory note together with the notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in this resolution except Mr. V.Srinivasa Rao.

#### Item 11

Presently the Company's securities are listed at the Six Exchanges namely, Hyderabad Stock Exchange Limited (HSE)-Regional Stock Exchange; National Stock Exchange of India Limited (NSE); Stock Exchange Mumbai (BSE); Madras Stock Exchange Limited (MSE); Delhi Stock Exchange Association Limited (DSE) and Stock Exchange Ahmedabad (ASE).

With the extensive networking of BSE and NSE and the extension of BSE/NSE terminals to other cities as well, investors have access to trade and deal in the Company's securities across the country. After the commencement of Electronic Trading, the Shares of the Company are not frequently traded on Hyderabad, Delhi, Ahmedabad and Madras Stock Exchanges. Hence it is proposed to De-list the securities of the Company from these four exchanges. This is proposed to reduce the regulatory formalities in complying the Listing Agreements of different Stock Exchanges and



duplication of work of the Company. Besides there will be substantial saving in the cost to the Company.

The proposed de-listing of the Company's securities from the above four exchanges, as and when the same takes place, will not adversely affect the investors. The Company's securities will continue to be listed on BSE and NSE. The de-listing will take effect after all approvals; permissions and sanctions are received from the appropriate authorities

In line with the SEBI (De-listing of Securities) Guidelines 2003, members' approval is being sought by way of Special Resolution for enabling voluntary de-listing of its securities from the Stock Exchanges and hence this resolution.

Your directors recommend the resolution for your approval

None of the Directors of the Company are in any way concerned or interested in the resolution.

#### Item 12:

During the course of business, the Company is required to associate with many Companies including group Companies. At times, for effective operational convenience, the Company need to extend the Corporate Guarantee to its associated or group Companies. For the purpose, Memorandum of Association of the Company must contain a clause to extend the corporate guarantees. According to Section 17 of the Companies Act, 1956, any amendment to Memorandum of Association requires the approval of shareholders in the general meeting and hence this resolution.

Your Directors recommend the resolution for your approval.

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

For and on behalf of the Board

Sd/-

Place : Secunderabad

Date : 16<sup>th</sup> August 2004

**Mr. K.V.S. Chalapathi Rao**  
Executive Director



## Directors' Report

To  
The Members  
Goldstone Technologies Limited

Your Directors have pleasure in presenting the Tenth Annual Report on the business and operations of your company and the Audited Accounts for the financial year ended on 31<sup>st</sup> March 2004.

### Financial Results

	(Rs in Lakhs)	
Particulars	2003-04	2002-03
Net Sales/Income from Operations/Software	5727.35	4874.90
Other Income	4.98	14.21
Total Income	5732.33	4889.11
Operating Profit	665.82	355.00
Interest	101.69	94.22
Depreciation and Write Offs	187.69	98.65
Profit Before Tax	376.44	163.43
Provision for Tax	—	(9.94)
Deferred Tax	9.62	15.03
-Prior Period Adjustments	7.49	(117.56)
Profit after Tax	378.56	50.96
Equity Share Capital (1,08,38,400 Shares of Rs.10/- each)	1083.84	1083.84
E.P.S (Before Extra-ordinary items)	3.49	0.47
E.P.S (After Extra-ordinary items)	3.49	0.47
Net Worth	1469.96	1367.97
Book Value (face value Rs. 10/-)	13.56	12.62

### Review of Operations

During the period under Review, your Company has registered revenue of Rs. 5732 lakhs as against Rs.4889 lakhs for the previous financial year ending 31<sup>st</sup> March 2003. The Net Profit for the period was Rs.378.56 lakhs as against Rs. 50.96 lakhs during the previous period. The year 2003-04 has been consolidating face with respective technical support out sourcing, the year had witnessed in the ramp up in the operations of the existing clients, while adding couple of new clients.

All efforts have been made to strengthen the systems and processers and establish a fool proof delivery system, it is worth while to note that the clients are more than satisfied with Goldstones delivery model.

In the F2J's space, there was a notable breakthrough in the development of Graphical User Interface (GUI) module, which has added flavor to the existing tool. The clients were happy using the migration tool, while aggressive marketing initiatives are being carried out to increase the business in F2J migration parallel efforts are being made to enhance the tool from time to time.

Due to the restrictions on H1 Visa processing and due to the tightened laws in the US, the On-site Business had witnessed to slow down in the first three quarters and efforts are being made to revive the lost ground. The business started with witnessing growth from the fourth quarter due to the aggressive initiatives taken by the Company. The Company is also exploring the inorganic growth in similar line of business.

### Dividend

Your Directors regret their inability to recommend Dividend for the year under consideration.

### Fixed deposits

The Company has not accepted any Fixed Deposits, falling within the purview of Section 58A of the Companies Act, 1956

### Insurance

All the properties of your Company including its building, plant & machinery and stocks have been adequately insured.

### Auditors

M/s. P. R. Pramodkumar & Co., Chartered Accountants retiring Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate stating that their reappointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act., 1956.

### Directors

Mr. Douglas K Mellinger and Dr. M V S R Kamesam Director(s) retire by rotation and being eligible offer themselves for re-appointment. During the year Mr. M P Mehrotra, Mr. K V S Chalapathi Rao and Mr. V Srinivasa Rao were appointed as Additional Directors of the Company. Mr. K V S Chalapathi Rao and Mr. V Srinivasa Rao who were appointed as Whole-time Directors of the Company have been designated as Executive Director and President respectively. During the year Dr. K K Krishnan Kutty, Mr. P Ramesh Babu, Mr. K Vasudeva Rao and Mr. J A Rao have resigned as Directors of the Company. The Board places on record its appreciation for valuable services rendered by them during their tenure as Directors.



**Goldstone**  
Goldstone Technologies Limited

### Stock Exchange Listing

The Equity Shares of the Company are listed on the National Stock Exchange, The Stock Exchange Mumbai, Hyderabad Stock Exchange, Madras Stock Exchange Building, Delhi Stock Exchange and Ahmedabad Stock Exchange. The company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2003-2004. The company proposes to de-list the equity shares of the company from Hyderabad, Madras, Ahmedabad, and Delhi Stock Exchanges. The justification for the same has been furnished in the Notice of the Annual General Meeting.

### Director's Responsibility Statement

In accordance with the Section 217(2AA) of the Companies Act, 1956, the Board of Directors affirm:

- That in the preparation of the Accounts for the financial year ended as on 31<sup>st</sup> March 2004, the applicable accounting standards have been followed and there are no material departures there from.
- That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2004 and of the profit or loss of the Company for the period ended on that date.
- That proper and sufficient care has been taken 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.
- That the accounts for the financial year ended 31<sup>st</sup> March 2004 have been prepared on a going concern basis.

### Corporate Governance

A report on Corporate Governance including Auditor Certificate thereon as per Clause 49 of the Listing Agreement is contained elsewhere in the Annual Report.

### Particulars of Employees:

None of the employees was in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### Conservation of energy / technology absorption, foreign exchange earnings and outgoings

Disclosure of particulars in respect of Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo required under Companies (Disclosure of particulars in the Directors' Report) Rules 1998.

#### 1. Conservation of Energy:

The operations of the company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption.

#### 2. Technology Absorption

Your company continues to use state-of-the-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your company continues to invest in the latest hardware and software.

#### 3. Foreign Exchange Earnings & Outgo:

The details of Foreign Exchange earnings and outgo are given below:

	(Rs.in Lakhs)	
	2003-04	2002-03
a) Foreign Exchange Earnings	558.25	384.75
b) Foreign Exchange Outgo	40.40	22.44

### Acknowledgements

Your Directors convey their sincere thanks to State Bank of Hyderabad, for their support and assistance.

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve excellent results and performance during the year. Your Directors thank the shareholders for their support and confidence reposed in the company and the management and look forward to their continued co-operation and support.

For and on behalf of the Board

Place : Secunderabad  
Date : 16<sup>th</sup> August 2004

Sd/-  
Mr. M P Mehrotra  
Chairman