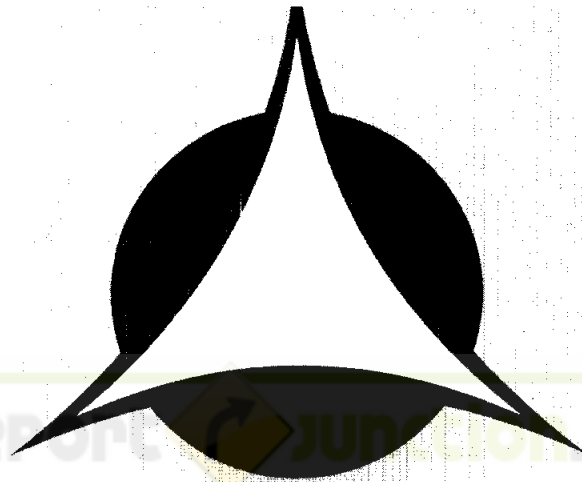




Goldstone

Goldstone Telecommunications Limited



First Annual Report 2000–2001

Board of Directors

Mr. Gopalakrishna	Chairman
Mr. L. P. Sashikumar	Managing Director
Mr. J. A. Rao	Director
Mr. K. Vasudeva Rao	Director
Mr. K. K. Krishnan Kuffy	Director

Registered Office

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

Factory

Plot No. 1 & 9, IDA , Phase II
Cherlapally
Hyderabad-500051

Bankers to the Company

State Bank of Hyderabad
Punjagutta Branch
Hyderabad-500482

Statutory Auditors

Srivas & Pramodkumar
Chartered Accountants
c-16, IVA Block,
Bharani Complex, Minister Road
Secunderabad-500003.

Internal Auditors

CKS Associates
87 Nagarjuna, Road #3
Gaganmahal Colony,
Hyderabad-500029.



Goldstone Teleservices Limited

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Goldstone Teleservices Limited

Notice

Notice is hereby given that the First Annual General Meeting of the Company would be held on Monday, the 31st December, 2001 at 3.00 P.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 Profit and Loss Account for the period ended 30th June, 2001 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

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

SPECIAL BUSINESS :

APPOINTMENT OF DIRECTORS

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

"RESOLVED THAT Mr. L P Sashikumar be and is hereby appointed as Director of the Company, liable to retire by rotation."
4. To consider, and if thought fit, to pass with or without modification, the following resolution as an **Ordinary** Resolution :

"RESOLVED THAT Mr. J A Rao be and is hereby appointed a Director of the Company, liable to retire by rotation."
5. To consider, and if thought fit, to pass with or without modification, the following resolution as an **Ordinary** Resolution :

"RESOLVED THAT Mr. K Vasudeva Rao 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. M.Gopalakrishna 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 Dr. K K Krishnan Kutty be and is hereby appointed as Director of the Company, liable to retire by rotation."

8. APPOINTMENT OF MANAGING DIRECTOR

To consider, and if thought fit, to pass with or without modification, the following resolution as an **Ordinary** Resolution :

"RESOLVED THAT pursuant to Sec. 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 with Schedule XIII thereof, the consent of the Company be and is hereby accorded for appointment of Mr. L.P.Sashikumar, as Managing Director of the Company for a period of five years w.e.f 1st April, 2001 on the following terms and conditions.

The remuneration payable by way of salary and perquisites be as below:

- a) Salary : Rs. 90,000 per month

Perquisites:

CATEGORY A

1. Housing : Rent Free Accommodation or House Rent Allowance of Rs. 10,000 per month.
2. Medical Reimbursement for self and family, value not exceeding one month's salary per annum.
3. Leave Travel Assistance; value not exceeding one month's salary per annum.
4. Personal Accident Insurance Rs. 8,000 per annum.
5. Fee for two clubs, which will not include admission fees.

CATEGORY B

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund. This will not be included in the



Goldstone Teleservices Limited

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.

2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C

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."

9. APPOINTMENT OF EXECUTIVE DIRECTOR

To consider, and if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to Sec. 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 with Schedule XIII thereof, the consent of the Company be and is hereby accorded for appointment of Mr. K Vasudeva Rao as Executive Director of the Company for a period of one year w.e.f 1st January, 2002 on the following terms and conditions:

The remuneration payable by way of salary and perquisites be as follows :

- a) Salary : Rs. 80,000 per month.

Perquisites:

CATEGORY A

1. Housing : Rent Free Accommodation or House Rent Allowance of Rs. 10,000 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.

CATEGORY B

1. 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.
2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C

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."

10. ALLOTMENT OF SHARES TO EMPLOYEES/ PROFESSIONALS UNDER ESOPS

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force); the Articles of Association of the Company and Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such other approvals as may be required from such other appropriate authorities, and subject to such terms and conditions and stipulations, if any, while granting such approvals, permissions and sanctions, the Board of Directors of the Company (hereinafter referred to as Board which expression shall include a Committee of Directors duly authorised in this behalf) is hereby authorised and empowered to obtain, the consent of the Company be and is hereby



accorded to the Board to issue, offer, in one or more tranches, all or any of the following, in one or more combination thereof: equity shares or equity linked securities or convertible debentures (whether fully convertible or not, whether fully secured or not), non-convertible debentures (whether secured or not), secured premium notes (SPN), floating rate bonds and/or any other securities, all or any of the aforesaid with or without detachable or non-detachable warrants, convertible equity shares (hereinafter referred to as "Securities" for sake of brevity), not exceeding 5% of the Paid-up Share Capital of the Company to its employees, whether in India or abroad, whether shareholder of the company or not (hereinafter collectively referred to as "Employees"), at such prices and other terms and conditions as the Board may in its absolute discretion think fit under the Employees Stock Option Scheme."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities/shares allotted under the Employees Stock Option Scheme on the Stock Exchanges where the Company's shares are listed as per the terms and conditions of Listing Agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all things necessary and take such actions as may be necessary or expedient to formulate or amend or alter or adopt any modification or redefine the proposal or scheme or plan of Employees Stock Option Scheme based on the guidelines issued by the Securities Exchange Board of India or any statutory authority from time to time."

11. ALLOTMENT OF SHARES TO EMPLOYEES OF SUBSIDIARIES UNDER ESOPS

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force); the Articles of Association of the Company and Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such other approvals as may be required from such other appropriate authorities, and subject to such terms and conditions and stipulations, if any, while granting such approvals, permissions and sanctions the Board of Directors of the Company (hereinafter referred to as Board which expression shall include a Committee of Directors duly authorized in this behalf) is hereby authorized and empowered to obtain, the consent of the Company be and is hereby accorded to the Board to extend the benefits of the Employees Stock option Plan proposed in Item No.10 in this notice to the eligible employees, directors of the Subsidiary Companies, existing and as and when formed, and/or to such persons, as may from time to time be allowed under the prevailing laws, rules and regulations, and/or amendments thereto from time to time on such terms and conditions as may be decided by the Board.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities/shares allotted under the Employees Stock Option Scheme on the Stock Exchanges where the Company's shares are listed as per the terms and conditions of Listing Agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to do all things necessary



and take such actions as may be necessary or expedient to formulate or amend or alter or adopt any modification or redefine the proposal or scheme or plan of Employees Stock Option Scheme based on the guidelines issued by the Securities Exchange Board of India or any statutory authority from time to time."

12. PREFERENTIAL ALLOTMENT

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

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and subject to the provisions of the Memorandum and Articles of Association of the company, Foreign Exchange Management Act 2000 (FEMA) and the prevailing statutory guidelines, if any, in that behalf and subject to all necessary consents, permissions and approvals and/or sanctions from all appropriate authorities including the Securities Exchange Board of India (SEBI), Government of India, Reserve Bank of India (RBI), the Stock Exchanges and all such other bodies, institutions as may be relevant (hereinafter singly or collectively referred to as "the appropriate authorities") and subject to such conditions as may be prescribed or imposed by any one of them while granting such consents, permissions and approvals/sanctions (hereinafter referred to as "the requisite approvals") and 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 of Directors, which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot upto 30,00,000 (thirty lacs only) Equity Shares/ or Warrants, and/or such other financial instruments and all or any of the aforesaid as consented/approved by the appropriate authorities (such equity shares or

such other financial instruments, hereinafter referred to as "Securities") each in one or more offering(s)/tranche(s), as the Board in its sole discretion may at any time or times hereafter decide, which Securities, when issued singly or in combination at such price or prices, at par or at a premium, as it may deem most appropriate for subscription for cash and/or for consideration other than cash, at such premium per share as may be fixed but not less than the price as arrived in terms of 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 to the promoter group members [which term shall include Directors including Promoters Directors, their families, relatives, friends, and associates, whether Resident or Non Resident Indian(s) {including Overseas Corporate Body(ies) (OCBs) substantially owned by Non Resident Indian(s)} and/or Indian/Foreign Financial Institutions (FI), Investment Institution(s), Mutual Fund(s), Bank(s), Body Corporate(s), such other individuals/entity(ies) as the Board may in its sole discretion decide, whether Resident or Non-Resident Indian(s) [whether or not those entities include members of the company] and/or in anyone or more combinations thereof or to such other persons, whether through private placement, preferential allotment as permissible and/or in one or more modes or in any combination thereof as may be permitted under the then prevailing laws, and in such manner as the Board may in its absolute discretion think fit and determine from time to time in conformity with the relevant provisions of law and the Articles of Association of the Company, wherever applicable on such terms and conditions, as may be permitted in accordance with the prevailing rules/guidelines in this behalf.

"RESOLVED FURTHER THAT for the aforesaid purpose(s), the Board be and is hereby authorised to do all further acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution without being required to seek any further consent or approval of the Company or otherwise and intend that they shall be deemed to have given their approval there



Goldstone Teleservices Limited

to expressly by the authority of this resolution."

13. ALTERATION OF ARTICLES OF ASSOCIATION TO INCLUDE BUY-BACK OF SECURITIES

To consider, and if thought fit, to pass, with or without modifications(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes as applicable, the Articles of Association of the Company be and is hereby altered as follows :

Article 63 A will be inserted after the existing Article 63

63 A Notwithstanding anything contained in these Articles but subject to the provisions of Section 77 A and 77 B of the Act, the Company may purchase its own securities or other specified securities (hereinafter referred to as "Buy-back") out of –

- its Free Reserves; or
- the Securities Premium Account; or
- the proceeds of any shares or other specified securities

in accordance with provisions of Section 77 A and 77B of the Act and rules prescribed by the Central Government or by Securities and Exchange Board of India in this behalf."

For and on behalf of the Board

Sd/-

BUY-BACK OF SECURITIES

Power of the Company to purchase its own securities

Place : Secunderabad

L.P.Sashikumar

Date : 23rd November, 2001 Managing Director

Notes

- The Explanatory Statement relating to Item Numbers 3 to 13 of the Special Business of the Meeting referred to above, is annexed to this Notice as required by Section 173(2) of the Companies Act, 1956.
- 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.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 26th December, 2001 to 31st December, 2001(both days inclusive) for the purpose of Annual General Meeting.
- 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.
- Members who are having multiple Folios with identical names are requested to intimate Folio Numbers, to enable the Company to consolidate the same into Single Folio.
- 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.
- Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.



Goldstone Teleservices Limited

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

Items 3 to 7

Mr L.P. Sashikumar, Mr J.A. Rao and Mr K. Vasudeva Rao the first Directors of the Company retire at the ensuing Annual General Meeting. Mr M. Gopalakrishna and Dr K.K. Krishnan Kutty, who were appointed as Additional Directors of the Company on 22nd May, 2001 pursuant to the provisions of Section 260 of the Companies Act, 1956 retire at the ensuing Annual General Meeting, but being eligible offer themselves for re-appointment.

Notices pursuant to the Section 257 of the Companies Act, 1956 together with the required deposit have been received from the Members proposing their candidature for the office of the Directors.

Your directors recommend the resolution for your approval.

None of the Directors, except Mr L.P. Sashikumar, J.A. Rao, K. Vasudeva Rao, Mr M. Gopalakrishna and Dr K.K. Krishnan Kutty for their respective appointments is in any way concerned or interested in this resolution.

ITEM 8

Mr L.P. Sashikumar was the Managing Director of Goldstone Technologies Limited and has rich experience in telecom industry. Consequent to the De-merger of the telecom division and to make use of his experience it is proposed to appoint him as Managing Director of the Company. An Agreement was executed between the Company and Mr L.P. Sashikumar incorporating the remuneration and other perquisites mentioned in the proposed resolution. The remuneration is within the limits prescribed under Section 309 and Schedule XIII of the Companies Act, 2001. A copy of the draft Agreement referred to as above will be open for inspection by the members at the Registered Office, 9-1-83 & 84, Amarchand Sharma Complex, S.D. Road, Secunderabad-500 003 between 10.00 A.M to 1.00 P.M on all working days. Approval of the members is required in the Annual General Meeting for his appointment as Managing

Director and hence your directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in this resolution except Mr L.P. Sashikumar.

ITEM 9

Mr K. Vasudeva Rao, was the Executive Director of Goldstone Technologies Limited and upon the De-merger of the telecom division, it is proposed to appoint him as Executive Director of the Company. An Agreement was executed between the Company and Mr K. Vasudeva Rao, incorporating the remuneration and other perquisites mentioned in the proposed resolution. The remuneration is within the limits prescribed under Section 309 and Schedule XIII of the Companies Act, 2001. A copy of the draft Agreement referred to as above will be open for inspection by the members at the Registered Office, 9-1-83 & 84, Amarchand Sharma Complex, S.D. Road, Secunderabad-500 003 between 10.00 A.M to 1.00 P.M on all working days. Approval of the members is required in the Annual General Meeting for his appointment as Executive Director and your directors recommend the resolution for your approval.

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

ITEM 10

To motivate, reward and retain the key performers and to attract the talented personnel, your Directors seek the approval of the shareholders to set up an Employee Stock Option Scheme (ESOS) by earmarking equity shares not exceeding 5% of the Paid-up Capital (Equity Share Capital) for granting of stock options under the scheme designated as Goldstone Teleservices Employees Stock Option Scheme. Your Company has adopted a policy to cover all key employees under the Employees Stock Option Scheme at critical levels.

The Total number of options to be granted

Identification of classes of employees entitled To participate in the Stock :

Requirements of vesting and period of vesting Exercise period and process of exercise;

The appraisal process for determining the eligibility of the employees to the Employees Stock Option Scheme

Not exceeding 5% of the present Paid-up Equity Share Capital of the Company.

All employees including Directors working in key areas of the Company.

The vesting period ranges from 1 to 7 Years from the date of vesting. Process involves intimation of exercise of options to the designated officer of the company.

The Compensation Committee will decide on the eligibility of the employees based on the formal Appraisal Systems and on the advice of the Advisory board.



Goldstone Teleservices Limited

Maximum Number of options to be issued per employee in aggregate.	The number of options issued per employee will be recommended by the Advisory Board of the Company for the approval of the Compensation Committee, not exceeding 1% of the Paid-up capital or rupee one lakh, whichever is less.
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The Company shall conform to the accounting policies specified in Clause 13.1 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999.

The shareholders' consent is therefore, sought to authorize the Board of Directors to issue equity shares in the manner set out in the resolution.

Your directors recommend the resolution for your approval.

None of the directors of the Company is in anyway concerned or interested in the passing of the resolution except to the extent of any options, which may be granted to them pursuant to this plan.

ITEM 11

The Company has the following subsidiaries :

- Newtech Stewing Telecom Limited
- Shree Shree Telecom Private Limited

As per the SEBI Guidelines, a separate resolution is required to be passed if the benefits of the ESOP are to be extended to the employees of the subsidiaries. This separate resolution is being proposed accordingly, to cover those employees. In addition, any other persons as may be permitted from time to time under prevailing laws, rules and regulations and/

or amendments thereto from time to time are also proposed to be covered under the ESOP. The broad features of the ESOP remain the same as explained in the explanatory statement for item no. 10.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the passing of the resolution except to the extent of any options, which may be granted to them pursuant to this plan.

ITEM 12

To further the Strategic alliances, acquisitions or mergers and to meet the working capital requirements and investments in capital assets, your Company proposes to offer, issue and allot within the limit of the Authorised share Capital of the Company, Equity Shares/warrants or and/or such other financial instruments and all or any of the aforesaid securities.

Identity of the parties for allotment

As per 13.1A of SEBI (Disclosure and Investor Protection) Guidelines 2000, the required details are furnished as under:

The Company has identified the following promoters and other individuals for allotment of securities.

Sl. No.	Name of the Party	Pre-issue Holding	% to Equity	Shares allotted in the Present issue	Post issue Holding	% to Equity
1.	Promoters and Associates					
2.	Goldstone Exports Limited	26,65,007	24.58	20,00,000	46,65,007	33.71
3.	L.P. Sashikumar	69,100	0.64	2,25,000	2,94,100	2.12
4.	Kishore V. Kandavalli	6,93,000	6.39	1,25,000	8,18,000	5.91
5.	J.A. Rao	100	0.001	2,25,000	2,25,100	1.63
6.	K. Vasudeva Rao	8025	0.007	1,25,000	1,33,025	0.96
7.	P. Ramesh Babu	7,900	0.007	1,25,000	1,32,900	0.96
8.	M. Gopalakrishna	Nil	Nil	50,000	50,000	0.36
9.	G. Bhagavat Reddy	Nil	Nil	1,25,000	1,25,000	0.90