



Second Annual Report 2001–2002

Board of Directors

Mr.Gopalakrishna	Chairman
Mr.L.P.Srinivasan	Managing Director
Mr.J.A.Rao	Director
Mr.K.Vasudevan Rao	Director
Mr.K.Krishnan Kulkarni	Director
Mr. P. Ramani Babu	Director

Registered Office

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

Notice

Notice is hereby given that the Second Annual General Meeting of the Company will be held on Monday, the 30th day of September, 2002 at 10.00 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 Profit and Loss Account for the period ended 31st March, 2002 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares of the Company for the period ended 31st March 2002.
3. To appoint a Director in place of Shri K K Krishnan Kutty, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri J. A. Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. Srivas & Pramodkumar, Chartered Accountants, be and are hereby reappointed 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:

6. APPOINTMENT OF DIRECTOR

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

"Resolved that pursuant to provisions of the Companies Act, 1956, Mr. P. Ramesh Babu,

who was appointed as additional director of the company and who holds office up to the date of this Annual General Meeting, in respect of whom the company has received notice under Section 257 be and is hereby appointed as Director of the Company liable to retire by rotation."

7. AUTHORISATION TO BOARD OF DIRECTORS TO BORROW

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

"Resolved that pursuant to provisions of Section 293(1)(d) and other provisions of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to borrow any sum or sums of monies from time to time which together with the monies already borrowed by the Company apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business may exceed the aggregate of the paid up capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose provided that the total amount so borrowed shall not any time exceed Rs 40 crores (Rupees forty crores only)".

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise considered necessary to be in the best interest of the Company."

For and on behalf of the Board

Place : Secunderabad
Date : 31st August 2002

M. Gopalakrishna
Chairman



Goldstone Teleservices Limited

Notes

- a) The Explanatory Statement relating to Item Numbers 6 to 7 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.
- 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 25th September 2002 to 30th September 2002 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.
- 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.

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

ITEM NO.6:

Mr. P Ramesh Babu, aged 46 Years is a Gold Medalist in MA (Sociology) from Sri Venkateswara University with over 20 years of experience in various capacities, both as Member as well as the Consultant in various fields of Industry, Management, Finance and Legal. He is Whole-time Director in G R Cables Ltd and also Director on various other Companies.

Mr. P Ramesh Babu was appointed as Additional Director of your Company in the Meeting of Board of Directors held on 26th June 2002. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Ramesh Babu holds office upto date of ensuing Annual General Meeting.

Notice pursuant to the provisions of Sec 257 of the Companies Act, 1956; together with the requisite deposit have been received from the member proposing his candidature for the office of Director.

Your Directors recommend the resolution for approval of the members.

None of the Directors except Mr. P Ramesh Babu, for his respective appointment as director, is in anyway concerned or interested in this resolution.

ITEM NO 7:

The Company needs to borrow monies from the Banks/ Financial Institutions/Other Lenders for the purpose of enhancement of Working Capital for the existing Jointing Kits business, for proposed International Contact Centre and Polymer Insulators project and term loans for International Contact Centre. Approval of the Shareholders is required in terms of Sec 293(1)(d) of the Companies Act, 1956, to borrow monies of the amount not exceeding Rs. 40 Crores (apart from the temporary loan borrowed from the Company's Bankers in the ordinary course of Business) from time to time which is in excess of the aggregate of the Paid-up Capital of the Company and its reserves.

Your Directors recommend the resolution for approval of the members.

None of the Directors is in anyway concerned or interested in this resolution.

For and on behalf of the Board

Place : Secunderabad
Date : 31st August, 2002

M Gopalakrishna
Chairman



Goldstone Teleservices Limited

Additional Information on Directors eligible for Re-election at the ensuing Annual General Meeting

Dr K. K. Krishnan Kutty

Dr K. K. Krishnan Kutty has more than three decades of experience in industry and other reputed Government establishments. He was the erstwhile Chairman & Managing Director of CMC Limited, one of the largest System Integration Companies in India. Dr. Kutty, a University Rank Holder for both his Graduate and Post Graduate Degrees, got his Ph.D in Mathematics/Operational Research from Tata Institute of Fundamental Research (TIFR), Bombay where he started his career in 1964. He was on the Boards/Governing Councils for several organisations such as CMC Limited, Keltron, Center for Development of Advance Computing (CDAC) Pune, Reserve Bank of India Institute for Development & Research in Banking Technology (IDRBT), Unit Trust of India (UTI) Investor Services, Indian National Scientific Documentation Center (INSDOC), All India

Council of Technical Education (AICTE Computer Education), Centre for Railway Information Systems (CRIS), Regional Computer Centers (Calcutta, Pune and Chandigarh) etc. He is also the Director on the Boards of Goldstone Technologies Limited and also in various Committees of the Companies.

J A Rao

Mr. J A Rao is a professional Chartered Accountant and Company Secretary. He has two decades of wide experience in consulting, industry and Corporate Finance. He has been consultant to various large industrial undertakings, banks and Financial Institutions. He has been instrumental in drawing up successful corporate restructuring, financing and revival plans for several medium and large companies. He is also the Director on the Boards of Goldstone Technologies Limited and G R Cables Ltd and also in various Committees of the Companies.

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Goldstone Teleservices Limited

Directors' Report

To
The Members
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Second Annual Report on the business and operations of your company and the Audited Accounts for the nine months period ended on 31st March 2002.

Financial Results

	Rs in Lakhs	
Particulars	2001-02	2000-01
Net Sales/Income from Operations	1751.99	1268.10
Other Income	90.81	40.35
Total Income	1842.80	1308.45
Operating Profit	441.93	272.87
Interest	34.45	30.27
Depreciation and Write Offs	61.73	37.37
Profit Before Tax	345.75	205.23
Provision for Tax	45.50	50.00
Profit after Tax	300.25	155.23
Extra-ordinary Items		
- Prior Period Adjustments	102.00	-
- Deferred Tax Liability	22.18	-
Equity Share Capital (1,08,40,150 Shares of Rs. 4/- each)	433.61	433.61
E.P.S (Before Extra-ordinary items) (Rs.)	2.77	1.43
E.P.S (After Extra-ordinary items) (Rs.)	1.62	1.43
Net Worth	2517.34	2545.36
Book Value (face value Rs. 4/-) (Rs.)	23.22	23.48

Dividend

Your directors have recommended a maiden dividend of 20% i.e., Rs.0.80ps. per share on Rs.4/- each fully paid-up equity share, subject to deduction of tax as applicable. The dividend will be paid to the shareholders whose names appear in the register of members as on 30th September 2002.

Review of Operations

The accounts of your Company have been closed for the nine months period from 1.7.2001 to 31.03.2002 to synchronize with the fiscal year of the country. During the period under Review, your Company earned revenue of Rs. 1842.80 lakhs as against Rs.1308.45 lakhs for the previous 6 months period ending 30th June 2001. The Net Profit for the period was Rs. 300.25 lakhs as against Rs. 155.23 lakhs during the previous year. In respect of operations for 6 months (from 1st January 2001 to 30th June 2001).

Future Plans

The Company is planning to provide cost effective end to end technology solutions in the field of Communications, Networking and I T Enabled Services (ITES). Your company has identified Business Process Outsourcing (BPO) as a suitable area to diversify its business portfolio and plan for continuous growth. Your company is accordingly establishing 'International Contact Centre' at Banjara Hills, Hyderabad. The facility with 200 seats per shift (400 Agents on two shift basis) is at an advanced stage of implementation and is expected to commence its operations in the third quarter of the year.

Subsidiaries

Your Company has two subsidiaries namely Newtech Stewing Telecom Limited (NSTL) with 98% holding and Shree Shree Telecom Private Limited (SSTL) with 100% shareholding. The brief financial results of the subsidiaries are given hereunder;



Goldstone Teleservices Limited

Newtech Stewing Telecom Limited

NSTL posted a total Income of Rs.595.13 lakhs as against Rs. 965.82 lakhs for the previous year, resulting in a net loss of Rs. 7.41 lakhs as against profit of Rs. 76.89 lakhs for the previous year. Due to unhealthy competition and shrinking market, there is a continuous pressure on margins and sales volume.

Combined results

Shree Shree Telecom Limited

SSTL posted a total Income of Rs. 258.90 lakhs as against Rs. 298.20 lakhs for the previous year. The Profit after Tax is Rs.7.25 lakhs as against Rs. 12.52 lakhs for the previous year.

The annual reports of the subsidiary Companies, have been attached to this report.

Rs. in Lakhs

Particulars	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
	01-02 9 Months	00-01 9 Months	01-02 9 Months	00-01 9 Months	01-02 9 Months	00-01 9 Months	01-02	00-01
Sales	1751.99	1268.10	583.27	957.15	256.40	297.76	2591.66	2523.01
Other Income	90.81	40.35	11.86	8.67	2.50	0.45	105.17	49.47
Total	1842.80	1308.45	595.13	965.82	258.90	298.21	2696.83	2572.48
PBDIT	441.93	272.87	35.64	98.20	16.93	23.63	494.50	394.70
PBT	345.75	205.23	15.59	72.81	13.09	16.02	374.43	294.06

Human Resources

Your Employees are committed to achieve excellence in the product quality and provide total customer satisfaction. The employee relations continued to be cordial with employee turnover being one of the lowest in the industry.

Particulars of Employees

The particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988 are given in the Statement annexed hereto (Annexure - I) and forms part of this report.

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

Information as per Section 271(1) (e) of the Companies Act, 1956 read with rule 2 of the Companies (Disclosure of particulars in the Report

of Board of Director's) Rules, 1988, is set out in Annexure - II, which forms part of this Report.

Auditors

M/s. Srivas & Pramodkumar, Chartered Accountants, Secunderabad, Statutory Auditors of your company hold office till conclusion of this Annual General Meeting and being eligible are recommended for re-appointment. They have furnished a certificate stating that their appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

Directors

Dr. K K Krishnan Kutty and Mr. J A Rao Directors retire by rotation and being eligible offer themselves for re-appointment. Mr. P Ramesh Babu who has been appointed as an Additional Director retires in the Annual General Meeting and being eligible offers himself for re-appointment.



Goldstone Teleservices Limited

Listing of Shares

The Company is listed on Hyderabad Stock Exchange, Stock Exchange-Mumbai, Madras Stock Exchange, Delhi Stock Exchange and Ahmedabad Stock Exchange. The Company has received the Listing Approval from the National Stock Exchange, Mumbai during the year.

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.

Issue of Equity Warrants

During the year, your Company has issued 30,00,000 Equity Warrants convertible into Equity Shares over a period of 18 months. None of the Warrants have so far been converted into Equity Shares.

Directors' 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 nine months period ending 31st March, 2002, the applicable accounting standards have been followed and there are no material departures therefrom.
- 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 31st March 2002 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 nine months period ended 31st March 2002 have been prepared on a going concern basis.

Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh and 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 : 31st August 2002

M Gopalakrishna
Chairman

Annexure I to Director's Report

Name Years	Age	Qualification Nature of Employment	Designation/ Remuneration	Gross Years	Experience Commencement of Employment	Date of Name of the Employer/ post held	Last Employment
Employed for part of the year							
Mr L P Sashikumar	49 B.S (USA)	B.Sc., Director	Managing	Rs.907,721	28	01.04.2001	Managing Director Goldstone Technologies Limited



Annexure II to Directors' Report

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 1988.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken or under implementation

- Continuous running of the sleeve manufacturing plant

b) Additional investment and proposals if any, being implemented for reduction of consumption of energy

- Additional / new measures will be initiated for further reduction in energy consumption based on technical evaluation and study of the measures already implemented.

c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods

- The measures taken during the year ensured optimum use of energy and increased Production.

The total energy consumption per unit of production

- Not applicable

B. TECHNOLOGY ABSORPTION: RESEARCH AND DEVELOPMENT

1. Specific Areas in which R & D carried out by the Company

The Company has taken up Research and development in heat shrinkable cable jointing sleeves division. Research activity has been focused on backward integration to reduce dependence on imports.

The Company has received 'Recognition of known R&D unit' approval from Department of Scientific & Industrial Research, Ministry of Science & Technology for carrying out Research & Development (R & D) activities.

2. Benefits derived as a result of the above R & D:

Research focused on the development of new product as mentioned in (1) above will reduce the dependence on imports and save foreign exchange.

3. Future Plan of Action

The Company proposes to continue its R & D efforts for reducing the cost of inputs and indigenising the import content

4. Expenditure on R & D : Rs. 8.90 lakhs

b. Technology Absorption, adaptation and innovation

Training is provided for the Company's Engineers as also on job training.

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign Exchange Transactions:

(Amounts in Rs. Lakhs)

For the period ended

31.03.2002 30.06.2001

i) Value of Imports on CIF basis		
- Raw Materials	126.00	360.36
- Capital Goods	Nil	46.96
- Tools & Spares	1.88	2.00
ii) Expenditure in Foreign Currency		
- Travelling Expenses	2.30	2.51
iii) Earnings in Foreign currency (on receipt basis)		
- Export of Goods (FOB Basis)	Nil	2.64



Management Discussion and Analysis of Results of Operations and Financial Condition

Overview

Goldstone Teleservices Limited (GTSL) was incorporated in Hyderabad on 22nd October 2000 to carry on the telecom business of the demerged telecom division of Goldstone Technologies Limited. As per the Scheme of Arrangement approved by members and by the Hon'ble High Court of Andhra Pradesh, the Telecom division of Goldstone Technologies Limited along with its Investments in subsidiaries has been transferred to Goldstone Teleservices Limited with effect from 1st January 2001.

The Company commenced its operations on 1st January 2001 having its unit at Plot No 1 & 9, IDA Phase II, Cherlapally, Ranga Reddy District, Hyderabad – 500 051.

The company's Financial Statements are prepared in compliance with the requirements of Indian Generally Accepted Accounting Principles (GAAP) and Companies Act, 1956 in India. The GTSL Management accepts responsibility for the integrity and objectivity of these financial statements.

Fiscal

Fiscal 2002 pertains to the nine months period that commenced from 1st July 2001 and ended on March 31st 2002. Fiscal 2001 pertains to the six months period that commenced from 1st January 2001 and ended on 30th June 2001.

Industry Structure and developments

The Company is presently engaged in manufacture of Cable Jointing Kits for Jelly Filled Telecom Cables (JFTC) and other telecom equipment. GTSL is an ISO 9002 company focusing on manufacture and supply of Telecom Accessories and equipment to BSNL and MTNL. GTSL is a leading manufacturer and supplier of Cable Jointing Kits in the country. The Supply of Cable Jointing Kits is in direct proportion to the demand of JFTC, which is gradually declining due to introduction of Wireless Telephone Technology through GSM/CDMA.

Opportunities

BSNL's and MTNL's ambitious plan to offer rural telephony, is expected to maintain the requirement

for JFTC and jointing kits. The emergence of a number of other public and private operators in the teleservices sector is likely to have a favourable impact on the demand in the near future. GTSL is also looking at various options of diversification plans into growth areas like power and BPO opportunities.

Threats

Government policies and investment have a substantial impact on the telecom sector. While no reversal of the trends towards increased investment in this sector is expected, demand and prices are definitely subject to changes in policies and tendering and indenting.

However, continual over productivity and global slowdown may intensify price competition and possible profit margin erosion in telecom business which may adversely effect the profitability of the Company.

Outlook

The demand for telecom cables and accessories is directly linked to the growth in the telecommunications sector. Factors such as continued development of the Indian economy and higher growth rate of service oriented sector, increased use of information technology, the mass market roll-out of broad band and rapid penetration of digital service, initiatives of telecom operators and other service providers to modernize telecom infrastructure to derive benefits of growing usage of data, Internet and other value added services, gives the telecom industry the highest potential of investment in India. Therefore the outlook for the sector continues to remain positive.

Risks and Concerns

Increased use of wireless technology, leading to substantial reduction in the demand of JFTC and cable accessories, is a matter of concern. The Company has therefore already taken steps for backward integration and continues to integrate its operations to improve productivity, cut costs and supply products at competitive prices.