



*Market Leadership Through
Creative Technologies*

Sixth Annual Report 2005 - 2006

BOARD OF DIRECTORS

1. Mr. L P Sashikumar	Managing Director
2. Dr. M V S R Kamesam	Director
3. Mr. S Murali Krishna	Director
4. Ms. Mahita Caddell	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 - 500 051

Statutory Auditors

C.K.S. Associates
Chartered Accountants
87, Nagarjuna, Road No. 3
Gaganmahal Colony
Hyderabad - 500 029

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Goldstone Teleservices Limited

Notice

Notice is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Thursday, the 28th day of September, 2006 at 4.00 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 Balance Sheet as at 31st March 2006 and Profit and Loss Account for the year ended as on the date along with Directors Report and Auditors Report thereon.
2. 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.
3. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

“WHEREAS a Special Notice has been received pursuant to Section 225(1) of the Companies Act, 1956 from Shareholder for the appointment of M/s P.Murali & Co., Chartered Accountants, in place of the retiring Auditors, namely M/s. C K S Associates Chartered Accountants.

NOW THEREFORE IT IS RESOLVED that M/s P.Murali & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the

conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company.”

SPECIAL BUSINESS

4.Re Appointemnt of Managing Director

“RESOLVED THAT pursuant to Sec. 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII there of, the consent of the members be and is hereby accorded for appointment of Mr. L.P.Sashikumar, as Managing Director of the Company for a period of one years w.e.f 1st April 2006 on the following terms and conditions.

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

a) Salary Rs.65,000/- (Sixty Five thousand only) per month

Perquisites:

CATEGORY A

1. Housing : Rent Free Accommodation or House Rent Allowance – Rs.10,000 per month.
2. Other Allowances like Mainenance, Subscription to internet, Professional Development Allowance, Gardener, Servant etc: not exceeding Rs. 20,000/- per month.
3. Reimbursement upto Rs. 15,000/- Per month, towards Entertainment, LTA, Subscription to Professional journals and Medical Expenses etc:



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CATEGORY B

- 4 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.

for and the behalf of the company
Sd/-

L P Sashikumar
Managing Director

Place: Secunderabad

Date: 21.08.2006

Notes:

- a) The Explanatory Statement relating to Special Business of the Meeting 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, 26th September 2006 to Thursday,

28th September 2006 (both days inclusive) for the purpose of Annual General Meeting.

- d) 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.
- e) 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

Dr. M V S R Kamesam

Dr M.V.S.R. Kamesam 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 30 Years of Industrial experience in various reputed companies.

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

Item No. 3

Special Notice in terms of Section 190 of the Companies Act, 1956 read with Section 225 of the Act has been received from Shareholder(s) of the Company for the appointment of new



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Auditors in place of the retiring auditors C K S Associates, Chartered Accountants. The Company has forthwith communicated to the retiring auditors of the Special Notice and that the retiring auditors have made no representation against the said special notice. A written certificate has been obtained from M/s P. Murali & Co., Chartered Accountants to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224 (1B) of the Act.

Your Directors recommend the Resolution for your approval.

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

Item No. 4

Mr. L P Sashikumar was re-appointed 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, 1956. 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 AM to 1.00 PM on all working days. Approval of the Shareholders 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

For and on behalf of the Board

Sd/-

L P Sashikumar
Managing Director

Place: Secunderabad

Date: 21st August 2006



Goldstone Teleservices Limited

Directors' Report

To
The Members
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2006

Financial Results	Rs in Lakhs	
Particulars	2005-06	2004-05
Net Sales/Income from Operations	2958.60	1943.52
Other Income	724.24	84.63
Total Income	3682.84	2028.15
total expenditure	2424.26	1533.92
Operating Profit (PBITD)	1258.58	494.23
Interest	155.59	140.95
Depreciation and Write Offs	252.62	232.53
Profit Before Tax	850.37	120.75
Provision for taxation		
- Current	125.00	15.50
-Deferred	58.46	47.11
-Fringe benefit	7.12	-
Profit after Tax	659.79	58.14
Extra-Ordinary Items		
- Prior period adjustments	0.20	19.80
Net Profit	659.99	77.94
Equity Share Capital (2,10,23,305 Shares of Rs 4/- each; Current year)	840.93	546.61
E.P.S	3.14	0.57
Net Worth	4222.37	3137.28
Book Value (face Value of Rs. 4/- each)	20.08	22.96

Dividend

Your Directors regret their inability to recommend any 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

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:

Newtech Stewing Telecom Limited

NSTL posted a total Income of Rs.329.03 lakhs as against Rs. 142.45 lakhs for the previous year i.e., 2004-05. NSTL posted a Net Profit of Rs.8.24 lakhs as against Net loss of Rs. 15.33 lakhs for the previous year i.e., 2004-05.

Combined results (in lakhs)

Particulars	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
Period	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Year	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05
Sales	2958.60	1943.52	308.95	138.14	0.00	0.00	3267.55	2081.66
Other Income	724.24	84.63	20.08	4.31	0.36	8.57	744.68	97.51
Total	3682.84	2028.15	329.03	142.45	0.36	8.57	4012.23	2179.18
PBITD	1258.58	494.23	40.87	(6.42)	(19.56)	(19.35)	1279.89	468.46
PBT	850.37	120.75	19.58	(22.05)	(20.37)	(20.49)	849.58	78.21



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The Annual Reports of the subsidiary Companies have been attached to this report.

Shree Shree Telecom Private Limited

SSTL posted a total Income of Rs. 0.36 lakhs as against Rs. 8.58 lakhs for the previous year i.e. 2004-05. The Net loss is Rs. 20.20 lakhs as against loss of Rs. 20.30 lakhs for the previous year i.e. 2004-05

Management Discussions and Analysis Business Outlook:

Presently major thrust is given by Government of India for development of Infrastructure sectors namely Energy (Power, Oil and Gas), Communications, Transport, and Irrigation etc. Investments envisaged during the 11th plan period and afterwards are very heavy, proposed to be achieved through Public – Private partnership. The products manufactured by our Company play a vital role in the above Nation-building task. Our Company's products are used widely in Power sector, Indian Railways, Tele communications, Oil and Gas pipeline sectors. The activity and revenues from the BPO/ Call Centre division has reduced during the year and the management has been examining various proposals to deal with the situations.

Insulators Division:

Composite Insulators in the range of 11 KV, 22 KV, 33 KV manufactured by our Company have been widely accepted by the customers quality wise and price wise. The R&D project undertaken by the Company to develop and manufacture of High Voltage Insulators has been successfully completed and full-scale commercial production would start during the current financial year.

Company is in the process of developing wide range of Composite Insulators and various types

of polymer compound required for these insulators. R&D activity in this division is a continuous process with an aim to provide high quality and cost effective product to our customers. The turnover achieved during the year 2005-06 in this division is Rs. 12.23 crores against Rs. 7.67 crores in the previous year. The performance of this division is estimated to be very high during the current financial year. Few competitors are likely to enter the market during the current financial year, but our Company has always got the first mover advantage.

Telecom Division:

The demand for cable jointing kits remained stagnant and our Company has been receiving orders steadily during the year and the position continuous to be the same during the current financial year also. The division has achieved a turnover of Rs. 13.63 crores during the year 2005-06 against a turnover of Rs. 6.44 crores during the previous year.

Technological innovations in telecom industry adversely impacted telecom cable jointing kits business.

BPO Division:

The IT/ITES business has become highly competitive. Our Company has been examining various alternative proposals to improve the performance of this division. A turnover of Rs. 5.03 crores has been achieved.

Internal controls and systems:

The internal audit & other internal controls and internal checks implemented in the Company are adequate and commensurate with the size and nature of operations providing sufficient assurance and safe guarding all assets, authorizing all transactions and its recording and reporting properly and timely. The audit



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committee constituted by the Board of Directors reviews regularly the financial and other related aspects as per the requirements of the Corporate Governance.

Financial performance:

During the year the Company has achieved a turnover of Rs.30.90 crores as against Rs.20.06 crores during the previous year. The increase is mainly an account of improved performance in insulators division and telecom division.

There is a quantum jump of Rs.7.24 crores in other income on account of commission earned, and interest on excise refund.

Commensurate with the increased turnover consumption of raw materials has also increased. Personnel expenditure has increased in line with the increased turnover and business operations. Other manufacturing expenses have increased by Rs.27.92 lakhs an account of higher production during the year.

Administrative and selling expenses have increased an account of increase in selling expenses and other taxes and duties

Financial expenses have increased marginally in spite of higher turnovers, due to implementation of stringe and financial controls.

The increase in depreciation charge during the year was an account of additions of fixed assets to the gross block during the year.

Due to quantum jump in the profit the provision for taxation has been more by Rs.109.50 lakhs during the year.

The paid up share capital of the Company has gone up by Rs.294.32 lakhs an account of preferential issue of equity shares at premium, to

part finance the project to manufacture Heat Shrinkable Sleeves of Corrosion protection of Oil and Gas Pipeline Joints and other regular capital expenditure.

The increase in results and surplus has been an account of the share premium collected on the preferential equity issue and higher profits earned during the year.

The decrease in secured loans is an account of payment of term loan instalments during the year.

During the year fixed assets worth Rs.350.74 lakhs have been added mainly in insulators division.

Reduction in the value of inventories as at 31st March 2006 has been an account of improved business cycle time.

Human Resource Development & Industrial Relations:

The industrial relations during the year has been good and satisfactory. The Company also implemented new welfare measure. Training programs were conducted regularly by the Company enabling the employees to upgrade their skills and cope up with prevailing technological advancements including multi skilling.

As on 31st March 2006 the Company has a total strength of 152 employees.

Outlook for the year 2006-07:

The Composite Insulators manufactured by our Company are well established in the market and on realizing the inherent advantages/benefits of Composite Insulators over the traditional Ceramic Insulators, the customers are showing more interest in procurement of increased quantities of Composite Insulators. Procurement



of Telephone Cable Jointing Kits also expected to be stable during the year. Company is examining various options to improve upon the return on the investments made in BPO/Call Centre division. Higher turnovers coupled with implementation of various cost control measures would result in better profitability for the Company during the current financial year.

Cautionary statements:

Statements in the Management Discussion and Analysis describing the Company's objectives projections, estimates, expectations, may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic/overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

Auditors:

M/s CKS Associates, Chartered Accountants, Statutory Auditors of your Company retire at the ensuing Annual General Meeting. The Company has received Notice from shareholder proposing M/s P Murali & Co : as Statutory Auditors of the Company, who have given their eligibility and willingness to be appointed as Auditors,

Directors

Dr M V S R Kamesam retire by rotation and being eligible offer himself for re-appointment. Mr. S P Shukla, and Mr. M. P. Mehrotra, have resigned as Directors of the Company. The Board places on record their appreciation for the valuable services rendered by them during their tenure as Directors.

Stock Exchange Listing

The Equity Shares of the Company are listed on the National Stock Exchange, Mumbai Stock Exchange, Hyderabad Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange and Delhi Stock Exchanges. The company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2005-2006.

Director's Responsibility Statement

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

- (a) That in the preparation of the Accounts for the twelve months period ending 31st March 2006, the applicable accounting standards have been followed and there are no material departures there from.
- (b) 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 2006 and of the profit of the Company for the year ended on that date.
- (c) 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



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detecting fraud and other irregularities.

- (d) That the accounts for the year ended 31st March 2006 have been prepared on a going concern basis.

Corporate Governance

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

Balance Sheet Abstract and Company's General Business Profile

Information pursuant to Department of Company Affairs notification relating to Balance Sheet Abstract and Company's General Business Profile is given in the Annual Report for information of the Shareholders.

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 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 has ensured optimum use of energy and increased production.

d. Consumption of Energy Particulars.

I. POWER AND FUEL CONSUMPTION

1. Electricity 2005-06

a. Purchased

Units - KWH	7,88,547
Total Amount	33,75,012
Rate/Unit -Rs.	4.28

b. Own Generation

Through Diesel Generator	36,388
Units - KWH	3,45,760
Total Amount	9.5
Rate/Unit -Rs.	

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.

2. Benefits derived as results 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.