



GOLDSTONE TELESERVICES LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Members of the Company will be held on Monday, the 28th Day of February 2005 at 10.00 A.M at Plot No.1 &9, IDA, Phase II, Cherlapally, Hyderabad – 500 051 to transact the following Special Business:

1. Authorization to allow Foreign Investment by FII's

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

"RESOLVED THAT in accordance with the FEMA (Transfer of Issue of security by person Resident outside India) Regulations, 2000 or any other applicable laws and subject to the approval of the Central Government, Reserve Bank of India and other regulatory bodies, if required, and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions which may be agreed to by the Board of Directors of the company, the consent of the company be and is hereby accorded for the investment by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as FII's) in the Share Capital of the company, by purchase / acquisition from the market under the profolio investment scheme, on repatriation basis or otherwise, subject to the condition that the total holding of all FII's put together shall not exceed 49% of the Paid-up Share Capital of the Company".

"RESOLVED FURTHER that the Board of Directors of the company be and are hereby authorized to take such steps and do all such other acts, deeds, matters and things and accept any alteration(s) or amendment(s) or correction(s) as they may deem fit and appropriate and give such directions / instructions as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for the matters connected therewith or incidental thereto."

2. Issue of Equity Shares /Warrants on Preferential Basis

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

"RESOLVED THAT pursuant to the provisions of Section 81(A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the Memorandum and Articles of Association of the company and the subsisting Guidelines / Regulations prescribed by the Government of India / Reserve Bank of India (RBI) / Securities Exchange Board of India or any other relevant authority, to the extent applicable and subject to such approvals, consents, permissions, and sanctions, as may be stipulated by any of them while granting such approvals, consents, permissions and sanctions, consent of members, be and is hereby accorded to the Board of Directors of the company (hereinafter referred as the "Board" which term shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers conferred by this Resolution) to issue, offer and allot not exceeding 73,58,155 Equity Shares or /and Warrants convertible into 73,58,155 Equity shares of the company of the face value of Rs.4/- each aggregating and equivalent to 35% on the enhanced capital for cash which shall upon conversion rank pari passu with the existing equity shares of the company, to Promoters, Registered Foreign Institutional Investors and other Indian Individual Investors in one or more trenches, in such form and manner and upon such terms and conditions as mentioned below at a price of Rs.7/- (Rupees Seven Only) including premium of Rs. 3 per share which is higher than the price arrived at in terms of 13.1.1.1 of SEBI Guidelines as may be applicable in this behalf.

- (a) Conversion of warrants into equity shares can be exercised at any time within a period of 18 months from the date of issue of such warrants.
- (b) An amount equal to 10 percent of the issue price shall become payable for warrants on the date of their allotment, with the balance amount being payable at the time of conversion.
- (c) The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants.
- (d) Other terms and conditions as may be prescribed by the Board at its absolute discretion.

"RESOLVED FURTHER THAT the relevant date for the purpose of determining the issue price of equity shares / equity shares arising out of conversion of warrants under the SEBI Guidelines for preferential issues is 29th January 2005 i.e. 30 days prior to the date of the Extra - Ordinary General Meeting of the members"



"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions, difficulties or doubts that may arise in this connection and incidental thereto, in their absolute discretion consider fit without being required to seek any further consent or approval of the company or otherwise to the end and intend that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

3. Alteration of Articles of Association

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the companies Act, 1956, the Articles of Association of the company be altered in the following manner:

Article III

For the words "Rupees Two hundred and fifty only" appearing in 3rd line, the words "the limits mentioned in Section 310 of the Companies Act, 1956 read with Rule 10B of Companies (Central Government) General Rules and Forms 1956". be substituted

Place: Secunderabad
Date: 31st January 2005

For and on behalf of the Board

L.P. Sashikumar
Managing Director

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HER SELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to effective, should be duly stamped, completed, signed and deposited at the Registered office of the company at Amarchand Sharma Complex, S.D. Road, Secunderabad – 500 003 not less than 48 hours before the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.1:

To facilitate the Investment by FIIs in terms of the provisions of FEMA (Transfer or issue of securities by a person resident outside India) Regulations, 2000. Your Directors intend to seek your approval for allowing investment by Foreign Institutional Investors (FIIs) to the extent of 49% of the paid up share capital of the company and hence this resolution.

The Board recommends the resolution for increasing the limit of investment by FIIs upto 49% of the Paid up share capital in the company for the approval of the members.

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

Item No. 2:

To augment resources for long term Working Capital needs, capital expenditure for increased outsourcing opportunities of the Company and other Corporate actions, your Company has proposed to issue further 73,58,155 Equity Shares and/or Warrants convertible into Equity Shares to the persons detailed below on preferential issue basis.

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

**a. Objects of the issue through preferential offer:**

The objects of the proposed issue of Equity Shares / Equity Warrants convertible into Equity Shares to proposed allottees is to augment resources for :

- ⊛ Long Term Working Capital
- ⊛ Capital Expenditure
- ⊛ General Corporate Requirements

b. Intention of Promoters/Directors/Key Management Persons to subscribe to the offer:

The promoters, foreign institutional investors and Indian individual investors intend to subscribe the proposed preferential issue.

c. The Pre and Post Shareholding Pattern will be as follows:

The Pattern of shareholding before and the one likely to emerge after the proposed allotment and / or conversion of warrants would be as under:

S/No	Category	Pre-Issue		Post-Issue	
		No of Shares	% of Shares	No of Shares	% of Shares
1	Promoters group	2575650	18.85	3626815	17.25
2.	Non Promoters group:				
	Mutual funds and UTI	2600	0.02	2600	0.01
	Banks, Financial Institutions and Insurance Companies	102759	0.74	102759	0.49
	FIs	71359	0.52	4276019	20.34
	Private Bodies Corporate	1855234	13.58	1855234	8.82
	NRI's/OCB's	466590	3.42	466590	2.22
	General Public	8590958	62.87	10693288	50.87
	Total	13665150	100.00	21023305	100.00

d. Proposed time with in which the allotment shall be completed:-

The allotment of Equity Shares / Warrants convertible into Equity Shares shall be completed within a period of 15 days from the date on which shareholders sanction is obtained for preferential allotment and subject to receipt of such approvals from the Statutory and Regulatory Authorities as per SEBI Guidelines.

e. The identity of the proposed allottees and the percentage of pre and post-preferential issue capital that may be held by them.

Name of the Party and category	Present Allotment	Pre-Issue Holding	% to Total Equity	Post-Issue Holding	% to Total Equity
I. Indian Promoters:					
-Mr. L.P Sashikumar	1051165	259350	1.90	1310515	6.23
II. Foreign Institutional Investors					
-Venus Capital Management Inc.,	2102330	Nil	Nil	2102330	10.00
-ITF Mauritius	2102330	Nil	Nil	2102330	10.00
III. General Public					
-Mr. KVS. Chalapatihirao	2102330	Nil	Nil	2102330	10.00

Mr. L.P Sashikumar is a Promoter and Managing Director of the company. He has not sold his any shares during the six months period prior to the Relavent Date.

M/s Venus Capital Management Inc., is a Foreign Institutional Investor and a Registered Investment Adviser with Securities & Exchange Commission, USA based at 99, Summer Street, Suite #M100, Boston USA, MA 02110



Goldstone Teleservices Limited

M/s ITF Mauritius is a Foreign Institutional Investor based at Manor House, 1st Floor, Chazai Street, Port Louis, Mauritius, Mr. KVS. Chalapathirao, is a Software Professional.

The parties to the proposed allotment are not connected to each other and are acting independently.

f. Lock-in:

The Equity Shares or Warrants Fully Convertible into Equity Shares, to be allotted on preferential basis shall be subject to lock-in as per the applicable SEBI Guidelines in this behalf for the time being in force.

The Equity shares / warrants proposed to be allotted to Mr. L.P. Sashikumar, Promoter shall be subject to lock in for a period 3 years from the date of allotment of securities and his pre issue holdings of 259350 Equity Shares were made subject to lock in from the relevant date upto a period of six months from the date of preferential allotment.

The Equity shares / warrants proposed to be allotted to Mr. KVS. Chalapathirao, M/s Venus Capital Management Inc., and M/s ITF Mauritius under Non-promoter category shall be subject to lock in for a period of 1 year from the date of allotment of securities.

g. Change in the control or composition of the Board

There will neither be any change in the composition of the Board nor any change in the control of the Company on account of the proposed preferential allotment. However, there will be corresponding change in the shareholding pattern as well as voting rights consequent to preferential allotment.

h. Price at which allotment is proposed

The issue Price of Equity Shares or Warrants convertible into Shares on preferential basis shall be at a price of Rs. 7/- per share including premium of Rs.3 per share which is higher than the price arrived at as per the SEBI Guidelines for the time being in force.

The Certificate issued by M/s P.R. Pramodkumar & Co., Chartered Accountants, Statutory Auditors of the Company as to the Pricing of the issue and that this preferential issue of securities is being made in accordance with the Guidelines on Preferential Allotment issued by SEBI is being placed before the shareholders at the meeting and also available for inspection at the Registered office of the company during the business hours on working days

As per Section 81 (1A) of the Companies Act, 1956, approval of the shareholders in the General Meeting is required for allotment of Equity Shares/Warrants convertible into Equity Shares/Other Securities on Preferential basis and hence this resolution is placed before the Shareholders.

Your Directors recommend the resolution for your approval.

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

Item No.3:

Article 111 of the Articles of Association of our company permits the payment of sitting fees of Rs.250/- for each meeting of Board or committee attended by the Directors. In view of the Changed circumstances and in line with the rules made by the Government it is proposed to alter the Articles of Association.

According to Section 31 of the Companies Act, 1956 any amendment to Articles 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 are in any way concerned or interested in the resolution.

Place: Secunderabad
Date: 31st January 2005

For and on behalf of the Board

L.P. Sashikumar
Managing Director