



## Notice

Notice is hereby given that the Third Annual General Meeting of the members of the Company will be held on Tuesday, the 30th day of September, 2003 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 Profit and Loss Account for the period ended 31st March, 2003 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri P. Ramesh Babu, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K. Vasudeva Rao, 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, be and are hereby appointed as Auditors of the Company in place of M/s Srivas & Pramodkumar 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. APPOINTMENT OF DIRECTOR

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

"Resolved that Dr. M V S R Kamesam, be and is hereby appointed as Director of the Company liable to retire by rotation".

For and on behalf of the Board

Place: Secunderabad  
Date: 30th August 2003

Sd/-  
**L P Sashikumar**  
Managing Director

## Notes:

- a) The Explanatory Statement relating to Item Number 5 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 Thursday, 25th September 2003 to Tuesday, 30th September 2003 (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.

For and on behalf of the Board

Place : Secunderabad  
Date : 30th August 2003

Sd/-  
**L P Sashikumar**  
Managing Director



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

#### Item 5

Dr M V S R Kamesam was appointed as Additional Director of the Company in the Board Meeting held on 31st July 2003 and holds office till the conclusion of the 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 liable to retire by rotation.

Your Directors recommend the resolution for approval of the members.

None of the Directors except Dr. M V S R Kamesam, for his respective appointment as Director, is in anyway concerned or interested in this resolution.

For and on behalf of the Board

Sd/-

Place : Secunderabad

**Mr. L P Sashikumar**

Date : 30th August 2003

Managing Director

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

#### P Rameshbabu

Mr. P Ramesh Babu is a Gold Medalist in MA (Sociology) from Sri Venkateswara University with over 21 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 Limited and also Director on various other companies.

#### K. Vasudeva Rao

Mr. K Vasudeva Rao is a Chartered Accountant with over 15 years of experience in industry. He has been

associated with Goldstone Technologies Limited as President and Executive Director for the last five years and has been the Director of the company since inception. Before joining Goldstone Technologies Limited he has worked as the Sr. Vice President for Six Years in XL Telecom Limited and Kirloskar Group.

#### 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.



## Directors' Report

To  
The Members  
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2003.

### Financial Results

Particulars	Rs in Lakhs	
	2002-03	2001-02
Net Sales/Income from Operations	<b>1301.23</b>	1751.99
Other Income	<b>69.77</b>	90.81
Total Income	<b>1371.00</b>	1842.80
Operating Profit	<b>329.39</b>	441.92
Interest	<b>51.88</b>	34.45
Depreciation and Write Offs	<b>124.33</b>	61.72
Profit Before Tax	<b>153.18</b>	345.75
Provision for Tax	<b>20.00</b>	45.50
Profit after Tax	<b>133.18</b>	300.25
Extra –ordinary Items		
– Prior Period Adjustments	<b>0.07</b>	102.00
– Deferred Tax Liability	<b>10.86</b>	22.18
Equity Share Capital <b>(1,36,65,150 Shares of Rs.4/- each; Current year)</b>	<b>546.61</b>	433.61
(1,08,40,150 Shares of Rs. 4/- each Previous Year)		
E.P.S (Before Extra-ordinary items)	<b>0.97</b>	2.77
E.P.S (After Extra-ordinary items)	<b>0.89</b>	1.62
Net Worth	<b>3074.70</b>	2517.34
<b>Book Value (face value Rs. 4/-)</b>	<b>22.50</b>	23.22

### Review of Operations

**Telecom Division:** During the year Telecom Division has registered a Turnover of Rs.9.53 Crores as against the previous year (9 Months Period) Turnover of Rs. 17.52 Crores. The fall in Turnover is largely due to drop in demand for 'Wired Telephones' and ever increasing

usage of 'Wireless Phones or Mobile Phones' by the customers. The Indian Telecom Market has been going through significant shift in its policy bringing in revolutionary changes the Technology and consequentially there is shrinkage of the Telecom Cable Jointing Kits market/demand. All the Telecom Operators and service providers are more and more preferring to implement these wireless solutions to save the operating cost and boost their bottom lines in addition to attracting the new customers.

**BPO Division:** In view of change in the Telecom Market and shrinkage of demand and market for the Company's existing product range of Telecom Jointing Kits, your company has wisely diversified in time to 'Business Process Outsourcing or BPO business. Your Board has made thorough study of the market and evaluated various opportunities before making huge investment of about Rs.15 Crores. The Project has been funded partially by the Term Loan from State Bank of Hyderabad and largely by the internal accruals.

In Nov, 2002 the BPO Division has become operational and during the first five months ending 31st March 2003, the BPO Division has recorded a Turnover of Rs.3.48 Crores with marginal profit. Your Company should get benefited by this investment in the coming years compensating the loss of business in Telecom Segment.

### 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.129.97 lakhs as against Rs. 595.13 lakhs for the previous period i.e., 2001-02. NSTL posted a Net Profit of Rs.8.43 lakhs as against net loss of Rs. 7.41 lakhs for the previous period i.e., 2001-02.

#### Shree Shree Telecom Limited

SSTL posted a total Income of Rs.10.16 lakhs as against Rs. 258.90 lakhs for the previous period i.e. 2001-02. The Loss after Tax is Rs.5.24 lakhs as against Rs. 7.25 lakhs for the previous period i.e., 2001-02.

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

### Combined results

Particulars	Rs. in lakhs							
	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
	12 months	9 months	12 months	9 months	12 months	9 months	12 months	9 months
<b>Period</b>	<b>12 months</b>	<b>9 months</b>	<b>12 months</b>	<b>9 months</b>	<b>12 months</b>	<b>9 months</b>	<b>12 months</b>	<b>9 months</b>
<b>Year</b>	<b>02-03</b>	<b>01-02</b>	<b>02-03</b>	<b>01-02</b>	<b>02-03</b>	<b>01-02</b>	<b>02-03</b>	<b>01-02</b>
Sales	<b>1301.23</b>	1751.99	<b>122.12</b>	583.27	<b>10.16</b>	256.40	<b>1433.51</b>	2523.01
Other Income	<b>69.77</b>	90.81	<b>7.85</b>	11.86	<b>2.61</b>	2.50	<b>80.23</b>	49.47
Total	<b>1371.01</b>	1842.80	<b>129.97</b>	595.13	<b>12.77</b>	258.90	<b>1513.75</b>	2572.48
PBDIT	<b>329.33</b>	441.93	<b>30.51</b>	35.64	<b>(1.52)</b>	16.93	<b>358.32</b>	394.70
PBT	<b>153.11</b>	345.75	<b>10.94</b>	15.59	<b>(5.24)</b>	13.09	<b>158.81</b>	294.06



# Goldstone Teleservices Limited

## Fixed deposits

The Company has not accepted any Fixed Deposits, falling with in 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

The retiring Auditors M/s. Srivas & Pramodkumar, Chartered Accountants, Statutory Auditors of your Company have expressed their inability to continue as Auditors of the Company due to re-organisation and as such they have requested that their candidature be not considered for re-appointment. M/s. P. R. Pramodkumar & Co., Chartered Accountants, have been proposed by a Member of the Company for their appointment as Statutory Auditors of the Company from the conclusion of this Annual General Meeting. M/s. P. R. Pramodkumar & Co., Chartered Accountants, have confirmed their eligibility willingness to accept office, if appointed.

## Directors

Mr. P Ramesh Babu and Mr. K Vasudeva Rao Director(s) retire by rotation and being eligible offer themselves for re-appointment. Dr M V S R Kamesam who was appointed as Additional Director of the Company has been proposed for appointment as Director of the Company liable to retire by rotation. During the year Mr. M Gopalakrishna has resigned as Director of the Company. The Board places on record their appreciation the valuable services rendered by Mr. M Gopalakrishna during his tenure as Director.

## 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 year ended 31st March 2003, 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 31st March 2003 and of the profit or loss of the Company for the year 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 year ended 31st March 2003 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.

## Issue of Equity Shares and utilisation of proceeds

During the year your Company has allotted 28,25,000 Equity Shares consequent upon exercise of option for conversion by Equity Warrant Holders, in accordance with SEBI Guidelines and approval of Shareholders in the AGM held on 31st December 2001.

The proceeds received on allotment of Equity Warrants have been utilized for the purpose of Working Capital and Capital Expenditure requirements as stated in the notice of the first AGM.

Consequent to the allotment of Equity Shares, the Paid-up Capital of the Company has been increased from Rs. 436.61 Lakhs to Rs. 546.61 Lakhs.

## Human Resources

Your Company has about 581 Employees. The Employee turnover is amongst the lowest in the industry. Your Employees are committed to achieve excellence in the product quality and provide total customer satisfaction. The employee relations continued to be cordial.

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

Information as per Section 217(1) (e) of the Companies Act, 1956 is set out in Annexure – I, which forms part of this Report.

## 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.

## 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

Sd/-  
**L P Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place: Secunderabad  
Date: 30th August 2003



## 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 the 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 with its factory located 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

The financial year of the Company consist of twelve months commencing from 01st April 2002 and ending on 31st March 2003 as compared to previous financial year of nine months.

### Industry Structure and developments

GTSL has currently engaged in TWO business segments and has been in the process of establishing infrastructure for the third business segment. GTSL has been in the Telecom Business since its inception. During the year the Company has made significant investments in Business Process Outsourcing (BPO) Business. Your company has plans to enter into Power Industry with intention to manufacture Polymer Insulators.

### Telecom Division

The Company is presently engaged in manufacture of Telecom Cable Jointing Kits for Jelly Filled Telecom Cables (JFTC). GTSL is an ISO 9002 certified company for its product range. GTSL is a leader in the Cable Jointing Kits market.

### Future/ Opportunities:

Telecom Cable Jointing Kits requirement is directly related to the procurement and laying of Jelly Filled Telecom Cables. For the last several years BSNL and MTNL were the only customers of this product range.

However, with the change in the Telecom Policy in 1994 and privatization of Telecom Services, the Telecom Density has gone up substantially in the Country. However, this has not resulted in increase in the demand for the Company's product range. As these Telecom Operators and Service Providers opted for the advanced Wireless Technologies for their expansion, the demand for Telecom Cable Jointing Kits is continuously shrinking.

### Threats:

Continuous demand for the Mobile Phones and usage of cost effective wireless Technologies will pose serious threat for the sustenance of the Cable Jointing Kits Business.

### BPO Division:

The Company has invested close to Rs.15 Crores during the year into this division after thorough evaluation of the market opportunities and demand.

### Future

Research Groups in US and outside predicts that's India's IT Business Process Outsourcing (BPO) will grow by 25% in the 2003 fiscal year. The Research Groups estimates that various companies in United States and Europe look anxious to handover some of their operations to outsourcing companies in cost-effective countries such as India, Mexico and others.

This predicts the rapid growth of BPO in India, logically. India's low cost economy combined with skillful workforce and easy legal norms set by the Government easily ensures India a hot destination for Business Process Outsourcing (BPO). China alongside India was predicted to grow amongst the top Outsourcing destination but problems associated with this immaturity—the lack of English language skills, the legal and regulatory environment, the lack of intellectual property laws—make China too risky today. Thus India took a dominant step to emerge as one of the giants delivering BPO services.

Studies also reveal that Offshore Application Management is shaping as the highest growth service opportunity in 2003. And India is likely to gain most from it.

BPO in India foresee growth under normal circumstances. India produces abundance of tech-savvy professionals, which ensures quality. The English used by the Indians is very fluent and meet the requirements



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of the International standards. India is predicted to tap the BPO accounts of top-tier industries globally. Under the present circumstances nobody sees any stopping for more and more BPO in India.

Goldstone Teleservices Limited invested over Rs.15.00 Crores during the year in "Business Process Outsourcing" or BPO Business. During the year Goldstone has achieved Rs.3.48 Crores of the revenues with a Profit of Rs.0.83 Crores.

## **Threats**

Recently few of State Governments in US have imposed restrictions on outsourcing the Government based contracts to outside US. These restrictions, if implemented in strict sence could pose a problem to the BPO business in general. However, majority of the State Governments have not initiated these restrictions and only 4 out of the 50 States have initiated these restrictions.

Further these restrictions even after due formulation into a policy is only applicable to the Government contracts and has no impact on the Private Corporation's initiatives, which is the biggest market opportunity.

## **Internal Control System and its Adequacy:**

An Audit Committee of the Board of Directors has been constituted as per Section 292 A of the Companies Act 1956 and Corporate Governance requirements specified under Clause 49 of the Listing Agreement.

The Company has adequate Internal Control Systems in place. The Internal Audit Report has been structured to conduct a review and evaluation and to present its report to the Audit Committee and the Management. The Internal Audit Reports dealing with internal control systems prepared by the internal Auditors of the Company are considered by the Audit Committee of the Company, at regular intervals.

## **Financial Performance & Operational Performance:**

### **A. Financial Condition:**

#### **Capital Structure:**

The Authorised Share Capital of the Company as on 31st March 2003 is Rs.10.00 Crores divided into 2.50 Lakhs Equity Shares of face value of Rs.4/- each.

The Share Capital of the Company consists of only Equity Shares. The Paid-up Capital of the Company as on 31st March 2003 is at Rs. 546.61/- Lakhs comprising of 13665150 Equity Shares of Rs. 4/- each fully paid-up.

#### **Reserves and Surplus:**

The Reserves and Surplus of the Company as on 31st March 2003 stands at Rs. 2528.09 lakhs

compared to Rs.2038.59 lakhs as on 31st March 2002.

#### **Secured Loans:**

The working Capital advances and Term Loan as on 31st March 2003 stands at Rs. 847.98 lakhs compared to Rs.183.18 lakhs as on 31st March 2002. The increase is on account of term-loan sanction of Rs 600.00 lakhs by State Bank of Hyderabad during the year to the BPO and Insulators Division.

#### **Unsecured Loans:**

The Sales Tax Deferment as on 31st March 2003 stands at Rs. 418.11 lakhs compared to Rs.381.95 lakhs as on 31st March 2002. The increase is on account of deferment provided as per the eligibility fixed by Commissioner of Industries, Andhra Pradesh, Hyderabad.

#### **Fixed Assets:**

During the year, the Company acquired Fixed assets amounting to Rs. 1224.22 lakhs. The gross block stood at Rs. 2780.11 lakhs and net block stood at Rs. 2305.28 lakhs as on 31st March 2003. The increase in the value of the Fixed Assets is on account of acquisition of Fixed Assets for the BPO and Insulator Divisions.

#### **Investments:**

Investments as on 31st March 2003, amounted to Rs 526.50 lakhs as against Rs.951.47 lakhs as on 31st March 2002 with net decrease of Rs.424.97 lakhs. Of the above, the investment in subsidiaries is Rs. 390.50 lakhs and the balance of Rs. 136.00 lakhs is in the form of current investments.

#### **Inventories:**

Inventories as on 31st March 2003, stood at Rs. 78.81 lakhs as against Rs. 86.05 lakhs as on 31st March 2002 on account of clearing of finished products for completion of orders and proper inventory management to avoid dead stock at the end of the season.

#### **Sundry Debtors:**

Sundry Debtors stood at Rs. 521.24 lakhs as on 31st March 2003 as against Rs. 300.84 lakhs as on 31st March 2002. These debtors are considered good and realizable.

#### **Cash and Bank Balances:**

Cash and Bank balances with scheduled banks as on 31st March 2003 amounting to Rs. 575.29 lakhs (includes Margin Money Deposit amounting to



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Rs. 238.04 lakhs) against Rs.783.83 lakhs as on 31st March 2002 (includes Margin Money Deposit amounting to Rs.252.34 lakhs.

### **Loans and Advances:**

Loans and Advances as on 31st March 2003 include Rs. 876.45 lakhs as against Rs.418.67 lakhs as on 31st March 2002 representing advances paid to suppliers, advance tax, capital advances etc.

### **Current Liabilities& Provisions:**

Sundry Creditors represents the amount payable to vendors for supply of goods amounting to Rs. 280.45 lakhs as on 31st March 2003 as against 280.73 lakhs as on 31st March 2002.

Provisions for dividend, tax, and deferred tax etc., amounts to Rs. 331.38 lakhs as on 31st March 2003 as against Rs. 382.40 lakhs as on 31st March 2002.

## **B. Operational Results:**

### **Revenue:**

During the year, the Company achieved sales of Rs. 1301.23 lakhs compared to Rs.1751.99 lakhs in the previous period of nine months ending 31st March 2002.

The other income for the year was Rs. 69.77 lakhs as compared to Rs. 90.81 lakhs in the previous period.

### **Expenditure:**

During the year, the Company incurred expenses amounting to Rs. 1041.61 lakhs as compared to Rs.1400.87 lakhs in the previous year.

### **Financial Charges:**

The Company has incurred a sum of Rs. 51.88 lakhs towards Financial Charges for the year as against Rs. 34.45 lakhs in the previous year.

### **Depreciation:**

The Company has provided a sum of Rs. 123.67 Lakhs towards depreciation for the year as against Rs. 61.22 lakhs in the previous year. An amount

of Rs. 41.18 lakhs is being provided as depreciation for the assets acquired for BPO Division for a period of 5 months.

### **Provision for Tax:**

The Company has provided a sum of Rs. 20.00 lakhs as against Rs. 45.50 lakhs in the previous year.

### **Net Profit:**

The net profit after tax is Rs. 122.33 lakhs as against Rs. 278.07 lakhs in the previous year.

### **Earning Per Share:**

The Earning Per Share of the Company for the year is Rs. 0.89 per share of face value Rs.4/- as against Rs. 1.62 in the previous year.

### **Human Resource Development and Industrial Relations:**

The Company believes that the quality and commitment of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements.

Industrial Relations during the year continued to be cordial and the company is committed to maintain good industrial relations.

As on 31st March 2003 the Company has a total strength of 581 employees.

### **Cautionary Statement:**

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 would 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.



## Corporate Governance Report

### 1. Company's philosophy on code of corporate governance:

The Company envisages the attainment of highest level of transparency in all face/s of its operations and in all its interactions with its shareholders, employees and the company.

The company is committed to the best governance norms. It strongly believes in setting the highest standards in all its endeavors.

### 2. Board of Directors:

The Board of Directors comprises of 5 directors as on 31st March 2003, of whom 4 are Non-executive and Independent Directors Viz., K K Krishnan Kutty, K Vasudeva Rao, J A Rao, P. Ramesh Babu, and one Promoter and Working Director- L P Sashi Kumar.

Eight Board Meetings were held during the financial year 2002 - 2003 on the following dates:

29th April, 2002; 26th June, 2002; 31st July, 2002; 31st August, 2002, 31st October, 2002; 3rd January, 2003; 31st January, 2003; 25th February, 2003.

The attendance at the Board Meetings and at AGM and Number of other Directorships and committee Memberships of Directors is given below.

Name of Director	Designation	Number of Board Meetings held	Number of Board Meetings Attended	No. of Committee Positions held in other companies	No. of Directorships in other companies	Attendance at Last AGM (Yes/No)
Dr. K. K. Krishnan Kutty	Non-E.D	8	7	3	1	Yes
Mr. L.P. Sashi Kumar	M.D.	8	7	3	10	Yes
Mr. J.A. Rao	Non-E.D	8	8	4	4	Yes
Mr. K. Vasudeva Rao	Non-E.D	8	7	Nil	1	No
Mr. P. Ramesh Babu	Non- E.D	8	5	Nil	9	No
Mr.M.Gopalakrishan (Resigned on 30.01.2003)	Non-E.D	8	4	Nil	Nil	Yes

### 3. Audit Committee:

The Audit Committee Comprises of Sri. J.A. Rao as Chairman, Sri K.K. Krishna Kutty and Sri K Vasudeva Rao, as its Members. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and provisions made in paragraph C and D in sub-clause II of Clause 49 of the listing agreement.

The Constitution of the Audit Committee has undergone change during the year owing to the resignation of Mr. Gopalakrishna. Mr. K Vasudeva Rao, was nominated on the Audit Committee.

The Meetings of the Audit Committee held during the year 2002-2003 on the following dates. The attendance at the meeting was as under.

Sl. No.	Name of the Director	Position held in the Committee	No. of meetings attended	Committee meetings held on
1.	Mr. J.A. Rao	Chairman	4	24-06-2002
2.	Mr. K Vasudeva Rao	Member	4	29-07-2002
3.	Dr K K Krishnan Kutty	Member	4	28-10-2002 27-01-2003





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## 4. Remuneration/ Compensation Committee

The Constitution of the Compensation/Remuneration Committee has undergone change during the year owing to the resignation of Mr. Gopala Krishna. Mr. K Vasudeva Rao, was nominated on the Remuneration/Compensation Committee.

Sl.No.	Name of the Director	Position held in the Committee	No.of Meetings attended	Committee meetings held on
1.	Mr. K Vasudeva Rao	Chairman	2	23-10-2002
2.	Dr. K. K. Krishnan Kutty	Member	2	20-03-2003
3.	Mr. J.A. Rao	Member	2	

### Details of remuneration to all the directors in the financial year 2002-2003.

The aggregate of Salary, perquisites paid for the year 200-2003 to Sri L P. Sashikumar, Managing Director of the company is Rs.12,13,844/-.

No remuneration was paid to the Non-Executive Directors during the year.

## 5. Shareholders and Investor(s) Grievance Committee:

The company has a Shareholders\Investor Grievance Committee Comprising of Dr. K. K. Krishnan Kutty as Chairman, Mr. L.P. Sashikumar and Mr. J.A. Rao as its members.

Number of Investor Queries/Complaints received during the year 2002-03 were as follows

Nature of Complaint	Received during the year	Resolved during the year
Letters received from NSE	4	4
Letter from SEBI	-	-
Letter from BSE	-	-
Non-Receipt of Dividend/Warrant	100	100
Non-receipt of Share Certificate/Transfer	-	-
Total	104	104

## 6. Share Transfer Committee:

The Members of the shareholders /Investors Grievance Committee are also entrusted with the responsibility of Share Transfer Committee, which looks into the matters relating to transfers/transmissions, issue of duplicate certificates etc., the details regarding the transfers, dematerializations, issue of duplicate Share certificate, etc., are as under:

No. of share transfer Committee Meetings held	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialization of Shares	Total
7	7280	Nil	580	7860

There are no pending share transfers as on 31st March, 2003.

## 7. General Body Meetings:

The Last two Annual General Meetings of the company were held at plot No.1&9, IDA, Phase-II, Cherlapally, Hyderabad – 500051 on Monday 31st December, 2001 at 3.00 P.M. and on Monday 30th September, 2002 10.00 A.M. respectively.

No postal Ballots were required to be used/invited for voting at these meetings in respect of the special resolutions passed.



# Goldstone Teleservices Limited

## Details of the Special resolution passed during the last two Annual General Meeting of the Company.

No Special resolution was passed in the Second Annual General Meeting.

In the 01st Annual General Meeting, the special resolutions for the issue of shares to employees and its subsidiaries under ESOPS, and Preferential allotment of equity shares under Section 81(1A), Alteration of Articles of Association to include the Buy back of the Securities was passed.

### 8. Disclosures:

There were no transactions of material nature between the company and the directors or management and their relatives or promoters that may have a potential conflict with interest of the company. The remuneration paid to Whole-time Directors and key management personnel has been disclosed in the Annual Report.

There has been no instance of Non-Compliance by the company on any matter related to capital markets, listing agreements, filing the requisite forms, returns and documents with the Registrar of Companies (ROC) hence no penalties were paid nor any strictures were imposed on the company by the stock exchanges or SEBI or any statutory authority.

### 9. Means of Communication:

The company publishes its Quarterly results in Business Standard (English), Andhra Bhoomi (Telugu). These results are submitted to the stock exchanges in accordance with the Listing Agreements and they are also being filed with the Stock Exchanges under EDIFAR facility.

#### Management Discussion and Analyses

The Management Discussion & Analysis Report forming part of the Annual Report is enclosed.

### 10. General Shareholders Information:

The Third Annual General Meeting of the Company will be held on Tuesday, 30th September, 2003 at 10.00 A.M at Plot NO 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051.

#### (a) Financial Calendar:

The Quarter Results are proposed to be published by 31st July, 2003, 31st October, 2003, 31st January, 2004, 30th April, 2004 for the First, Second, Third and Fourth Quarter respectively and the Annual results are proposed to be published by 30th June, 2004.

**Dates of Book Closure** : 25th September – 30th September 2003  
(Inc. of both days)

#### Stock Exchanges where Listed

- |  |   |
|--|---|
| 1. National Stock Exchange of India Limited<br>Exchange Plaza, 5th Floor Plot No C/1<br>G Block Bandra Kurla Complex<br>Bandra (E), Mumbai - 400 051 | 2. The Stock Exchange Mumbai<br>Phiroze Jeejeebhoy Towers<br>Dalal Street<br>Mumbai - 400 001                       |
| 3. The Hyderabad Stock Exchange Limited<br>Administrative Office 6-3-654<br>Adjacent to Erramanzil Bus Stop<br>Somajiguda Hyderabad – 500 082        | 4. The Stock Exchange Ahmedabad<br>Kamadhenu Complex<br>Opp Sahajanand College<br>Panjarapole, Ahmedabad – 3800 015 |
| 5. Madras Stock Exchange Limited,<br>Exchange Building Post Box No 183<br>II Second Line Beach<br>Chennai - 600 001                                  | 6. Delhi Stock Exchange Association Limited<br>DSE House 3/1<br>Asaf Ali Road<br>New Delhi - 110 002                |

#### Stock Code:

NSE - GOLDTELE  
BSE - 532439  
HSE - 6496



# Goldstone Teleservices Limited

Listing fees has been paid to all the stock exchanges for the year 2003-04.

## Market Price Data:

Month	NSE		BSE	
	High	Low	High	Low
April 2002	31.90	22.70	33.35	22.10
May 2002	29.50	16.65	28.00	17.00
June 2002	23.50	17.85	23.40	15.70
July 2002	27.35	17.80	27.60	18.15
August 2002	20.90	16.00	22.50	17.10
September 2002	19.90	14.20	22.20	14.35
October 2002	17.00	10.65	15.80	10.80
November 2002	13.30	10.90	15.60	11.05
December 2002	15.00	10.75	14.90	10.75
January 2003	17.50	10.75	17.30	10.90
February 2003	13.05	09.60	12.70	09.75
March 2003	11.75	08.05	11.50	08.00

## Outstanding GDRs/ADRs/Warrants or convertible instruments and impact on Equity:

The Company has not issued any GDRs/ADRs. On exercise of option by the persons holding 28.25 Lakhs Equity Warrants/Shares have been allotted in the Equity and those shares will rank *pari passu* with the existing Equity Shares of the Company. There are no outstanding instruments convertible into Equity Shares and as such these will be no change in the Share Capital of the Company.

## Registrar and Transfer Agents

M/s Venture Capital and Corporate & Investment Limited  
6-2-913/914, 3rd Floor, Progressive Towers,  
Khairatabad Hyderabad – 04  
Tel : +91-40-23322262/64  
Fax : +91-40-23324803  
Email : vccil\_hyd@yahoo.co.in

## Distribution of Shareholding as on 31st March 2003

Share or Debentures Holding of nominal value of	Share/Debentures Holders		Share/Debenture Amount	
	Number	% of Total	In Rs	% of Total
(1)	(2)	(3)	(4)	(5)
Upto – 5000	8736	79.96	6081972	11.13
5001 – 10000	1079	9.88	3592076	6.57
10001 – 20000	526	4.81	3222964	5.90
20001 – 30000	210	1.92	2149404	3.93
30001 – 40000	80	0.73	1127632	2.06
40001 – 50000	86	0.79	1609556	2.94
50001 – 100000	118	1.08	3451996	6.32
100001 and above	90	0.82	33425000	61.15
<b>TOTAL</b>	<b>10925</b>	<b>100.00</b>	<b>54660600</b>	<b>100.00</b>



## Goldstone Teleservices Limited

### Shareholding Pattern as on 31st March 2003

Category	No. of Equity Shares Held	% of Shareholding	No. of Shareholders	% to Total Shareholders
1 Promoters	5947023	43.52%	7	0.06%
2 Mutual Funds, FI's & Banks	382034	2.79%	6	0.05%
3 Private Bodies Corporate	1132751	8.29%	452	4.14%
4 Public	5793942	42.40%	10218	93.53%
5 NRI'S & OCB's	409400	3.00%	242	2.22%
<b>GRAND TOTAL</b>	<b>13665150</b>	<b>100.00%</b>	<b>10925</b>	<b>100.00%</b>

### Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE260D01016. Investors have a better liquidity in Dematerialized form and are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialised form. Over 73.50% of the company Shares are now held in Electronic Form. The list of depository participants is available with National Securities Depository (NSDL) at [www.nsdl.co.in](http://www.nsdl.co.in).

#### (k) Location of Divisions:

The Manufacturing Unit of Cable Jointing Kits is located At:  
Plot No 1 & 9, IDA,  
Phase II Cherlapally,  
Hyderabad – 500051

BPO of the Company is located at:  
Door No. 8-2-243/A, 2nd and 3rd Floor,  
Maharshi Building,  
Road No. 3, Banjara Hills,  
Hyderabad –500034

#### (k) Address for Correspondence:

Goldstone Teleservices Limited,  
Shares Department,  
9-1-83 & 84 Amarchand Sharma Complex,  
SD Road Secunderabad – 500003  
Tel: + 91-40-27807640, Fax + 91-040-27801910,

### Compliance Certificate of the Auditors

The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49, which is annexed herewith.

## Auditors' Certificate on Corporate Governance

To

The Members

We, the Statutory Auditors of Goldstone Technologies Limited have reviewed the relevant records for the year ended on 31st March 2003 relating to compliance with the requirements of Corporate Governance and state that in our opinion and to the best of our knowledge and according to the information and explanation given to us, the Company has complied with the provisions of Clause 49 of the Listing Agreement.

For Srivas & Pramodkumar

Place : Secunderabad  
Date : 30th August, 2003

Sd/-  
**P R Pramodkumar**  
Partner



## Auditors' Report

To  
The Shareholders of  
**Goldstone Teleservices Limited**

1. We have audited the attached Balance Sheet of Goldstone Teleservices Limited as at 31st March 2003 and the Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company

so far as appears from our examination of the books;

- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as on March 31,2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31,2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
  - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **Srivas & Pramodkumar**  
Chartered Accountants

Sd/-

**P.R.Pramodkumar**  
Partner

Place : Secunderabad  
Date : 30.06.2003



## Annexure to Auditors' Report

(Referred to in paragraph 1 of our Report of even date on the accounts of Goldstone Teleservices Limited as at 31st March 2003)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the year.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the year, as informed by the management.
4. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
5. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
6. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
8. The company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
9. In the absence of specific terms and conditions in respect of loans/advances in the nature of loans given by the company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- (Rupees fifty thousand only) or more in respect of two parties have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.
12. We are informed by the management that there were no damaged stores as at the date of the balance sheet. The unserviceable stocks are charged off to the profit & loss account.
13. The Company has not accepted any deposits from the public during the year under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2003 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
20. The Company is not a sick industrial company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of service activities (BPO services), the Company has a reasonable system of allocating man-hours utilized to the relative jobs, commensurate with its size and nature of its business.

For **Srivas & Pramodkumar**  
Chartered Accountants

Sd/-

**P.R.Pramodkumar**

Partner

Place : Secunderabad  
Date : 30.06.2003



## Goldstone Teleservices Limited

### Balance Sheet as at 31st March, 2003

	SCHEDULE	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:</b>			
Share Capital	1	54,745,600	48,460,600
Reserves and Surplus	2	252,809,114	203,858,537
		<u>307,554,714</u>	<u>252,319,137</u>
<b>LOAN FUNDS:</b>			
Secured Loans	3	84,798,106	18,318,155
Unsecured Loans	4	41,811,040	38,195,077
		<u>126,609,146</u>	<u>56,513,232</u>
<b>Total</b>		<u>434,163,860</u>	<u>308,832,369</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	5	227,655,028	145,311,066
Less : Depreciation		47,482,966	35,116,393
Net Block		<u>180,172,062</u>	<u>110,194,673</u>
Capital Work in progress		50,356,003	10,278,375
		<u>230,528,065</u>	<u>120,473,048</u>
<b>INVESTMENTS</b>			
	6	52,650,000	95,147,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	7,880,813	8,605,394
Sundry Debtors	8	52,123,760	30,083,664
Cash and Bank Balances	9	57,529,133	78,383,415
Loans and Advances	10	87,645,064	41,867,188
		<u>205,178,770</u>	<u>158,939,661</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current liabilities	11	28,045,188	28,072,653
Provisions	12	12,946,473	19,133,908
		<u>40,991,661</u>	<u>47,206,561</u>
<b>Net Current Assets</b>		<u>164,187,109</u>	<u>111,733,100</u>
<b>Miscellaneous Expenditure</b>	13	6,990,618	585,369
<b>Deferred Tax Assets / (Liabilities)</b>		<u>(20,191,932)</u>	<u>(19,106,148)</u>
<b>Total</b>		<u>434,163,860</u>	<u>308,832,369</u>
Accounting policies	22		
Notes to Accounts	23		

per our report attached  
For **Srivas & Pramodkumar**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**L P Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



## Goldstone Teleservices Limited

### Profit and Loss Account for the Year Ended 31st March, 2003

	SCHEDULE	For the Year ended 31.03.2003 Rs.	For the Period ended 31.03.2002 Rs.
<b>INCOME</b>			
Sales	14	130,123,082	175,199,415
Accretion / (Decretion) to stocks	15	(311,615)	(28,149,897)
Other Income	16	6,977,496	9,080,632
<b>Total</b>		<b>136,788,963</b>	<b>156,130,150</b>
<b>EXPENDITURE</b>			
Material Cost	17	39,397,737	68,812,759
Excise Duty		2,609,006	4,033,644
Personnel Expenditure	18	26,679,314	9,381,146
Other Manufacturing Costs	19	3,584,970	4,328,505
Administrative and Selling Expenses	20	31,577,913	25,381,022
Financial Expenses	21	5,188,120	3,445,441
Depreciation		12,366,574	6,122,228
Miscellaneous Expenses Written off		66,900	50,175
<b>Total</b>		<b>121,470,534</b>	<b>121,554,920</b>
Profit before Taxation		15,318,429	34,575,230
Provision for taxation			
– Current		2,000,000	4,550,000
– Deferred		1,085,784	2,217,715
Profit after tax for the year		12,232,645	27,807,515
Prior period adjustments		(7,068)	(10,200,163)
<b>Net Profit</b>		<b>12,225,577</b>	<b>17,607,352</b>
Profit brought forward from the previous period		46,333,621	42,398,389
Amount available for appropriation		58,559,198	60,005,741
<b>APPROPRIATIONS</b>			
Proposed Dividend		—	8,672,120
Transfer to General Reserve		—	5,000,000
Surplus Transferred to Balance Sheet		58,559,198	46,333,621
Earnings per Share (Basic / diluted) (Nominal Value of Share Rs. 4/- each)		0.90	1.62
No of Shares used in computing Earnings per share		13,665,150	10,840,150
Accounting policies	22		
Notes to Accounts	23		

per our report attached  
for **Srivas & Pramodkumar**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**LP Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003





# Goldstone Teleservices Limited

## Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>1: SHARE CAPITAL</b>		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each, Issued, Subscribed and Paid up:	<u>100,000,000</u>	<u>100,000,000</u>
1,36,65,150 Equity Shares of Rs. 4/- each, fully paid up (Of the above, 28,25,000 Equity Shares have been allotted during the year on Preferential basis, upon conversion of Equity warrants.) Share Warrants application money received (Pending allotment)	<u>54,660,600</u>	43,360,600
	<u>85,000</u>	5,100,000
<b>Total</b>	<u><u>54,745,600</u></u>	<u><u>48,460,600</u></u>
<b>2: RESERVES AND SURPLUS</b>		
Share Premium :		
Opening balance	<u>97,714,028</u>	97,714,028
Add : Premium received on Preferential Issue of 2825000 Equity Shares of Rs.13/- each, during the year	<u>36,725,000</u>	—
Balance	<u>134,439,028</u>	97,714,028
General Reserve :		
Opening balance	<u>59,810,888</u>	71,699,321
Add : Transfer from Profit and Loss Account	—	5,000,000
Less : Accumulated Deferred Tax Liability	—	<u>16,888,433</u>
Balance	<u>59,810,888</u>	59,810,888
Surplus:		
Opening Balance	<u>46,333,621</u>	42,398,389
Add : Balance transferred from the Profit and Loss Account	<u>12,225,577</u>	<u>3,935,232</u>
Balance	<u>58,559,198</u>	46,333,621
<b>Total</b>	<u><u>252,809,114</u></u>	<u><u>203,858,537</u></u>
<b>3: SECURED LOANS</b>		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad	<u>35,271,355</u>	18,318,155
Term Loan from State Bank of Hyderabad	<u>49,526,751</u>	—
<b>Total</b>	<u><u>84,798,106</u></u>	<u><u>18,318,155</u></u>
<b>4: UNSECURED LOANS</b>		
Sales Tax Deferment		
Opening Balance	<u>38,195,077</u>	31,600,357
Additions during the year	<u>3,615,963</u>	<u>6,594,720</u>
Balance	<u>41,811,040</u>	38,195,077
<b>Total</b>	<u><u>41,811,040</u></u>	<u><u>38,195,077</u></u>



## Schedules Forming Part of the Accounts

### 5: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2002	Additions during the year	Deductions during the year	Cost as at 31.03.2003	As at 01.04.2002	For the year	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	1,606,095	—	—	<b>1,606,095</b>	—	—	—	<b>1,606,095</b>	1,606,095
Buildings	14,305,777	—	—	<b>14,305,777</b>	2,819,621	477,813	<b>3,297,434</b>	<b>11,008,343</b>	11,486,156
Plant & Machinery	89,813,983	—	—	<b>89,813,983</b>	21,276,789	4,266,165	<b>25,542,954</b>	<b>64,271,029</b>	68,537,194
Furniture & Fixtures	3,155,419	3,613,932	—	<b>6,769,351</b>	841,561	288,029	<b>1,129,590</b>	<b>5,639,761</b>	2,313,858
Lab Tools & Equipment	2,509,190	—	—	<b>2,509,190</b>	812,400	119,187	<b>931,587</b>	<b>1,577,603</b>	1,696,790
Electrical Equipment/ Installation	7,945,125	1,060,488	44,966	<b>8,960,647</b>	1,636,173	400,359	<b>2,036,532</b>	<b>6,924,115</b>	6,308,952
Vehicles	10,497,945	270,000	—	<b>10,767,945</b>	3,278,827	1,017,755	<b>4,296,582</b>	<b>6,471,363</b>	7,219,118
Computer system	8,857,365	45,836,932	—	<b>54,694,297</b>	2,999,692	4,270,987	<b>7,270,679</b>	<b>47,423,618</b>	5,857,673
Office equipment	1,502,934	1,856,237	—	<b>3,359,171</b>	308,103	108,300	<b>416,403</b>	<b>2,942,768</b>	1,194,831
Generator	4,021,817	752,360	—	<b>4,774,177</b>	1,005,838	205,527	<b>1,211,365</b>	<b>3,562,812</b>	3,015,979
Leasehold Improvements	562,516	5,326,492	—	<b>5,889,008</b>	89,939	104,632	<b>194,571</b>	<b>5,694,437</b>	472,577
Air Conditioners	516,486	1,548,899	—	<b>2,065,385</b>	42,960	52,864	<b>95,824</b>	<b>1,969,561</b>	473,526
Network Equipments	—	19,628,908	—	<b>19,628,908</b>	—	1,015,664	<b>1,015,664</b>	<b>18,613,244</b>	—
Electronic Equipments & UPS	—	2,494,680	—	<b>2,494,680</b>	—	38,511	<b>38,511</b>	<b>2,456,169</b>	—
Tools & Spares	16,414	—	—	<b>16,414</b>	4,490	780	<b>5,270</b>	<b>11,144</b>	11,924
<b>Total</b>	<b>145,311,066</b>	<b>82,388,928</b>	<b>44,966</b>	<b>227,655,028</b>	<b>35,116,393</b>	<b>12,366,573</b>	<b>47,482,966</b>	<b>180,172,062</b>	<b>110,194,673</b>
Previous period	144,353,592	1,497,018	539,544	<b>145,311,066</b>	28,994,165	6,122,228	<b>35,116,393</b>	<b>110,194,673</b>	115,359,427

**Schedules Forming Part of the Accounts**

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>6: INVESTMENTS- AT COST</b>		
<b>Trade (Quoted, Long-term)</b>		
GTCL Mobilecom Technology Limited 9700 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs.4.40 per share - Rs.42,680/-)	97,000	97,000
GR Cables Limited 11,45,000 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 2.65 per share - Rs. 30,34,250/-)	11,003,000	—
<b>Trade (Unquoted)</b>		
<b>Long-term :</b>		
Birla Income Plus bonds 5,15,460.154 units of Rs. 10/- each, fully paid up Less : Redemption during the year	5,000,000 <u>5,000,000</u>	— 5,000,000
Alliance Liquid Income 14,23,037.19 units of Rs. 10/- each, fully paid up Less : Redemption during the year	15,000,000 <u>15,000,000</u>	— 15,000,000
Sun F&C Money Value Fund Bond 9,85,228.735 units of Rs. 10/- each, fully paid up Less : Redemption during the year	10,000,000 <u>10,000,000</u>	— 10,000,000
IDBI Principal Income Fund 13,43,599.867 units of Rs. 10/- each, fully paid up Less : Redemption during the year	14,000,000 <u>14,000,000</u>	— 14,000,000
GEL Infrastructure Private Limited Share application money invested during the year	2,500,000	—
<b>Current :</b>		
Templeton Liquid Fund 10,61,711.750 units of Rs. 10/- each, fully paid up Less : Redemption during the year	12,000,000 <u>12,000,000</u>	— 12,000,000
<b>Investments in Subsidiary Companies : (Unquoted)</b>		
Newtech Stewing Telecom Limited 1459067 Equity Shares of Rs.10/- each, fully paid up	20,050,000	20,050,000
Shree Shree Telecom Pvt Ltd 1,50,000 Equity Shares of Rs. 10/- each, fully paid up Share application money paid	1,500,000 <u>17,500,000</u>	1,500,000 17,500,000
<b>Total</b>	<u><u>52,650,000</u></u>	<u><u>95,147,000</u></u>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>7: INVENTORIES</b> (As Certified by the Management)		
Components and Packing Materials (at cost)	703,114	955,388
Raw materials (at cost)	3,250,622	3,411,314
Work-in-process-Sleeves (at cost)	3,927,077	4,238,692
<b>Total</b>	<b>7,880,813</b>	<b>8,605,394</b>
<b>8: SUNDRY DEBTORS</b> (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	3,064,558	10,100,898
Other Debts	49,059,202	19,982,766
<b>Total</b>	<b>52,123,760</b>	<b>30,083,664</b>
<b>9: CASH &amp; BANK BALANCES</b>		
Cash on hand	145,978	456,300
Balances with Scheduled Banks:		
– In Current Accounts	18,552,568	12,440,073
– In Fixed Deposits	15,026,333	40,253,299
– In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	23,804,254	25,233,743
<b>Total</b>	<b>57,529,133</b>	<b>78,383,415</b>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>10: LOANS &amp; ADVANCES</b> (Unsecured, considered good)		
Advances to Subsidiary Companies	6,868,507	125,113
Advances to suppliers	—	663,979
Advances recoverable in cash or kind or for value to be received	64,552,583	29,221,454
Advances to Staff	626,410	311,403
Balance with Govt. bodies	667,226	430,249
Deposits	2,682,040	686,070
Advance Tax	9,546,502	9,500,000
Tax deducted at source	2,212,294	899,985
Prepaid Expenses	489,502	28,935
<b>Total</b>	<b><u>87,645,064</u></b>	<b><u>41,867,188</u></b>
<b>11: CURRENT LIABILITIES</b>		
Sundry Creditors:		
Dues of Small Scale Industrial undertakings	2,781,068	3,937,707
Others	1,028,149	7,910,771
Statutory Liabilities	3,696,424	442,504
Other liabilities	20,539,547	15,781,671
<b>Total</b>	<b><u>28,045,188</u></b>	<b><u>28,072,653</u></b>
<b>12: PROVISIONS</b>		
Provision for Taxation	11,550,000	9,550,000
Proposed Dividend	1,601	8,672,120
Provision for Staff Benefit Scheme:		
For Gratuity	1,061,614	619,633
For Earned Leave Encashment	333,258	292,155
<b>Total</b>	<b><u>12,946,473</u></b>	<b><u>19,133,908</u></b>
<b>13: MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Preliminary Expenses	585,369	635,544
Less : Written off during the year	<u>66,900</u>	<u>50,175</u>
Miscellaneous Expenditure	6,472,149	—
<b>Total</b>	<b><u>6,990,618</u></b>	<b><u>585,369</u></b>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Accounts

	For the year ended 31.03.2003 Rs.	For the Period ended 31.03.2002 Rs.
<b>14: SALES</b>		
<b>Telecom Division</b>		
– Domestic	95,143,304	175,199,415
– Exports	198,469	—
<b>BPO Division</b>	34,781,309	—
<b>Total</b>	<b>130,123,082</b>	<b>175,199,415</b>
<b>15: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods	3,927,077	4,238,692
Less : Opening Stock of WIP & Finished Goods	4,238,692	32,388,589
<b>Total</b>	<b>(311,615)</b>	<b>(28,149,897)</b>
<b>16: OTHER INCOME</b>		
Insurance Claims received	177,060	173,508
Interest on Fixed Deposits & loans	2,424,282	1,623,481
Service Charges	994,533	974,249
Miscellaneous Income	9,930	37,458
Dividend Received	3,371,691	6,271,936
<b>Total</b>	<b>6,977,496</b>	<b>9,080,632</b>
<b>17: MATERIAL COST</b>		
Opening Stock	4,366,702	10,043,877
Purchases:		
– Kit Components	24,018,712	45,943,915
– Packing Materials	5,249,837	4,118,144
– Rawmaterials		
Imports	8,425,425	10,048,405
Domestic	689,595	848,503
Other Purchase costs	601,202	2,176,617
	43,351,473	73,179,461
Less : Closing Stock	3,953,736	4,366,702
<b>Total</b>	<b>39,397,737</b>	<b>68,812,759</b>
<b>18: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	25,250,441	8,689,364
Staff Welfare	1,428,873	691,782
<b>Total</b>	<b>26,679,314</b>	<b>9,381,146</b>



## Schedules Forming Part of the Accounts

	For the year ended 31.03.2003 Rs.	For the Period ended 31.03.2002 Rs.
<b>19: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	2,003,147	1,805,750
Consumables	253,663	629,621
Repairs and Maintenance		
– Plant and Machinery	217,923	464,850
– Buildings	25,549	9,969
– Others	803,536	1,314,855
Testing and Inspection Charges	273,887	95,980
Job Work Charges	7,265	7,480
<b>Total</b>	<b>3,584,970</b>	<b>4,328,505</b>
<b>20: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Directors Remuneration	1,213,884	907,721
Advertisement	258,739	290,005
Electricity	1,514,586	346,613
Rent	1,801,573	451,936
Legal Fees	127,892	242,550
Printing and Stationery	321,292	251,761
Tender Expenses	88,116	55,409
Postage, Telephones and Internet	5,445,873	1,345,818
Insurance	536,844	1,451,131
Professional and Consultancy	3,237,359	2,273,659
Fees, Rates and Taxes	398,928	155,374
Gifts and Donations	394,454	429,429
Vehicle Maintenance	1,190,142	1,063,005
Travelling Expenses		
– Directors	60,122	131,254
– Others	2,251,652	1,535,287
Conveyance		
– Staff Transport	3,625,148	685,793
– Others	14,682	—
Carriage Outward	1,490,743	4,082,534
Sales Tax	3,779,552	6,695,042
Auditors Remuneration	125,000	125,000
Business Promotion	871,865	671,234
Office Maintenance	465,887	124,485
Miscellaneous Expenses	1,913,323	1,663,680
Listing Fees	64,250	145,135
Security Charges	386,007	257,167
<b>Total</b>	<b>31,577,913</b>	<b>25,381,022</b>
<b>21: FINANCIAL EXPENSES</b>		
Interest on Working Capital & Term Loan	3,195,997	2,094,679
Bank Charges & Commission	1,679,622	1,283,565
Other Finance Charges	312,501	67,197
<b>Total</b>	<b>5,188,120</b>	<b>3,445,441</b>



## Schedules Forming Part of the Accounts

### 22: STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation of Financial Statements**

The Financial statements have been prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### **Revenue recognition:**

- i) All incomes and expenditure are accounted on accrual basis.
- ii) Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
- iii) Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance.
- iv) In respect of BPO operations the revenue from per engagement services are based on the engagement performed. Revenues from per time period services are recognized based on the time incurred in providing services at the contract rates.

#### **Fixed Assets:**

- i) Fixed Assets are stated at cost, net of CENVAT credit and include acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- ii) Depreciation on Fixed assets is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### **Investments:**

Investments are classified into current investments and long-term investments. Current investments are carried at lower of cost or fair market value. Any deduction in carrying amount and any reversals of such reductions are charged or credited to Profit & Loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

#### **Inventories:**

All inventories are valued at cost or net realizable value whichever is less.

#### **Sundry Debtors and Loans & Advances:**

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

#### **Miscellaneous Expenditure:**

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.

#### **Sales Tax Deferment:**

Sales Tax is charged to revenue and Sales tax payable on sale of jointing kits is treated as unsecured Loan on the basis of an express notification of the AP State Government vide GOMS No 108 dt 20.05.1996.



**Foreign Currency Transactions:**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

**Government Grants/incentives:**

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans.

**Retirement Benefits:**

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the basis of actuarial valuation.

**Income Tax:**

Income tax for the year comprises current and deferred tax.

Provision for income tax is made on the basis of estimated taxable income. The company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

**23: NOTES TO ACCOUNTS****Share Capital:**

During the year, the Company increased its Equity share capital by Rs 1,13,00,000/- through allotment of 28,25,000 Equity Shares of Rs 4 each at premium of Rs.13/- per share, upon conversion of Equity share warrants.

**Secured Loans:**

The working capital advances from State Bank of Hyderabad, are secured by hypothecation of inventories, book debts, personal guarantees of directors, corporate guarantee and mortgage on the immovable property of Goldstone Exports Limited and further secured by a second charge on fixed assets of the company and Goldstone Technologies Limited.

Term Loan from State Bank Of Hyderabad is secured by second charge on the current assets of the company, corporate guarantee of Goldstone Exports Ltd, Corporate Guarantee of Goldstone Technologies Ltd Receivables of the BPO operations ,Personal Guarantee of Managing Director and Equitable Mortgage of immovable property.

**Unsecured Loans:**

The Unsecured loans represent Sales Tax deferment. During the year an amount of Rs.37,79,552/- (Previous period Rs.66,95,042/-) was charged to the profit and loss account, out of which an amount of Rs.36,15,963/- (Previous period Rs. 65,94,720/-) has been deferred and treated as Unsecured loan on the basis of an express notification of the A.P.State Government vide G.O.Ms.No. 108 Dated 20.05.96. The total amount of Sales tax thus deferred up to 31.03.03 is Rs.4,18,11,040 (previous period 3,81,95,077-).



## Goldstone Teleservices Limited

### Investments in Various Projects under progress:

Investments made by the Company during the year on projects under implementation.

Name of the Project	2002-2003 (Rs.)	2001-2002 (Rs.)
Power Project – Insulators	25504873/-	890495/-
Power Project – Hydel	1749990/-	464791/-
Business Processing Outsourcing (BPO)	—	7395596/-

Business Process Outsourcing (BPO) services Division commenced operations on 4.11.2002. Expenditure incurred till the said date have been capitalised.

Estimated amount of contracts ( net of advances) remaining to be executed on Capital account and not provided for Rs. 25,00,000/-.

### Sundry debtors, Loans and advances and sundry creditors:

Sundry debtors, loans and advances and sundry creditors balance, are subject to confirmation by the parties.

### Prior period adjustments:

Prior period adjustments include Rs 3,38,632 towards downward revision in prices on supplies made in 1995-96, and excess provision for Earned Leave Encashment made in the previous period amounting to Rs 2,92,808/-.

### Segment Reporting:

#### Business Segments:

During the year, BPO Services Division commenced operations on 4.11.2002. Accordingly, segment wise results for Telecom Division and BPO Division are given as under:

	Rs in lakhs		
	Telecom	BPO	Consolidated
Revenue	953.42	347.81	1301.23
Other Income	69.77		69.77
Segment Revenue	1023.19	347.81	1371.00
Segment Results	121.66	83.33	204.99
Add : Unallocated income (net of expenditure)			
Less : Financial Expenses	49.42	2.46	51.88
Profit before Taxation	72.24	80.87	153.11
Provision for Taxation	30.86	0.00	30.86
Profit after taxation	41.38	80.87	122.25
Segment Assets	3774.92	1108.66	4874.00
Segment Liabilities	1282.38	595.63	1878.01
Capital employed	2492.53	513.03	3005.56

### Deferred Tax Liability:

Deferred Tax asset or liability is recognised for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India.



## Goldstone Teleservices Limited

### Retirement Benefits:

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.

### Related party disclosure:

Transactions with subsidiary companies:

Name and nature of relationship of the related party where control exists:

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). (GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2003.

Shree Shree Telecom Private Limited (SSTL), 100% subsidiary company of Goldstone Teleservices Limited (GTSL).

	2002-2003		2001-2002	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	3.42	0.86	15.38	20.31
Receipt towards share of common exp.	34.67	—	77.17	29.47

Transactions with Key Management Personnel :

	Year ended 31.03.2003	Period ended 31.03.2002
Sri L P Sashikumar, Managing Director		
Salary	12.00	9.00
Reimbursement of Expenses	0.14	0.08

### Earnings per share:

Calculation of EPS

	2002-03	2001-02 (Nos.)
Total No. of Shares outstanding	13665150	10840150
Profit after taxes before Exceptional items	133.11	300.25
Profit after taxes after Exceptional items	122.26	198.25
EPS before Non-recurring and Exceptional items	0.97	2.77
EPS after Non-recurring and Exceptional items	0.90	1.62

### Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company	Extent of holding (%) As on 31.03.2003	Extent of holding (%) As on 31.03.2002
1	Newtech Stewing Telecom Ltd	97.59	97.59
2	Shree Shree Telecom Pvt Ltd	100.00	100.00



## Goldstone Teleservices Limited

Consolidated Financial Statements are prepared in accordance with the guidelines given in Accounting standard 21 issued by the Institute of Chartered Accountants of India only with respect to current year financial statements.

<b>Contingent Liabilities:</b>	<b>As at 31.03.2003 (Rs.)</b>	<b>As at 31.03.2002 (Rs.)</b>
a) Un-expired Letters of Credit for Raw Materials	<b>7598016/-</b>	2078382/-
b) Bank Guarantees Outstanding	<b>30801611/-</b>	40895654/-
c) The company has created, as an additional security, first charge on the movable and immovable assets in favour of Industrial Development Bank of India securing the term loan of Rs 1000 lakhs sanctioned to Goldstone Technologies Limited.		
d) Corporate Guarantees were issued on behalf of Newtech Stewing Telecom Limited, a subsidiary of Goldstone Teleservices Limited for their working capital advances from State Bank of India amounting to Rs 740.00 Lakhs. (Previous year Rs. 740.00 lakhs).		
e) The company has issued Corporate Guarantee, as an additional security, in favour of State Bank of Hyderabad for the Working Capital advances of Rs 95 lakhs sanctioned to Shree Shree Telecom Private Limited, a subsidiary company.		
f) Lien marked on fixed deposits for securing the Bank Guarantees issued by various banks on behalf of subsidiaries Rs.4.54 lakhs (Previous period Rs. 21.12 lakhs).		
g) The Central Excise authorities have, vide Show Cause Notice dt. 02.08.2002 proposed a demand of Rs. 36,78,284/- towards duty difference payable in respect of clearance of Heat Shrinkable Sleeves during the years from 1997-98 to 1999-2000. The same has been contested by the Company. Accordingly no provision for the same is made in the accounts.		

Figures have been rounded off to the nearest rupee.

Previous period figures have been regrouped wherever necessary.

As per our report of even date  
For **Srivas & Pramodkumar**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**L.P.Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



## Schedules Forming Part of the Accounts

### 23: Notes forming part of Accounts

#### ADDITIONAL INFORMATION REQUIRED AS PER PARA 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

		For the year ended 31.03.2003	For the Period ended 31.03.2002
Licensed & Installed Capacities			
Installed Capacity (Nos)			
– Heat Shrinkable Sleeves		690,000	690,000
– MARR SRR Systems		600	600
Production (Nos)			
– Heat Shrinkable Sleeves for Telecom Cable Jointing Kits	(Nos)	276,150	305,859
Purchase of Components & Raw materials		38,984,771	63,135,584
Production of Cable Jointing Kits	(Nos)	278,203	307,909
Turnover			
– Jointing kits	(Nos)	278,203*	397,488
	Value (Rs.)	94,326,748	171,422,282
– Others	Value (Rs.)	1,015,025	3,777,133
		<u>95,341,773</u>	<u>175,199,415</u>
Opening & Closing Stocks			
<b>* Opening Stock</b>			
– Manufactured Sleeves	(Nos)	1,437	93,066
	Value (Rs.)	69,429	6,493,004
– Work in process	Value (Rs.)	4,169,264	18,266,179
– Thermo Shrink Filled Kits	(Nos)	–	87,915
	Value (Rs.)	–	7,629,406
– Components & Raw materials	Value (Rs.)	4,366,701	10,043,877
		<u>8,605,394</u>	<u>42,432,466</u>
<b>Closing Stock</b>			
– Manufactured Sleeves	(Nos)	45	1,437
	Value (Rs.)	4,231	69,429
– Work in process	Value (Rs.)	3,922,846	4,169,264
– Thermo Shrink Filled Kits	(Nos)	–	–
	Value (Rs.)	–	–
– Components & Raw materials	Value (Rs.)	3,953,736	4,366,701
		<u>7,880,813</u>	<u>8,605,394</u>

\* includes RTSF sleeves of 661 nos. shown as issues as the same is considered non - moving in nature.

**Schedules Forming Part of the Accounts****SCHEDULE 23 : Continued**

		<b>For the year ended 31.03.2003</b>	For the Period ended 31.03.2002
<b>Raw Materials Consumed</b>			
– Hotmelt Adhesive	Kgs	<b>32,630</b>	23,495
	Value (Rs.)	<b>6,231,176</b>	5,325,093
– Granules	Kgs	<b>63,840</b>	42,970
	Value (Rs.)	<b>2,214,148</b>	1,493,630
– Film Rolls	Nos.	—	—
	Value (Rs.)	—	—
– Others	Value (Rs.)	<b>30,952,413</b>	61,994,036
		<b><u>39,397,737</u></b>	<b><u>68,812,759</u></b>
<b>Consumption of Imported &amp; Indigenous Materials</b>			
– Imported Materials	Value (Rs.)	<b>8,432,054</b>	6,818,723
	%	<b>21.40%</b>	9.91%
– Indigenous Materials	Value (Rs.)	<b>30,965,683</b>	61,994,036
	%	<b>78.60%</b>	90.09%
– Total	Value (Rs.)	<b><u>39,397,737</u></b>	<b><u>68,812,759</u></b>
	%	<b>100%</b>	100%
<b>Foreign Exchange Transactions</b>			
<b>Value of Imports on CIF basis</b>			
– Raw Materials	Value (Rs.)	<b>9,879,612</b>	12,600,466
– Capital Goods	Value (Rs.)	<b>51,910,419</b>	—
– Tools & Spares	Value (Rs.)	<b>126,890</b>	188,048
<b>Expenditure/Earnings in Foreign Currency</b>			
Travelling & other expenses	Value (Rs.)	<b>7,818,287</b>	230,106
Export of goods (FOB basis)	Value (Rs.)	<b>4,892,681</b>	—
<b>Auditors' Remuneration</b>			
Audit Fee		<b>110,000</b>	110,000
Taxation Matters		<b>15,000</b>	15,000
		<b><u>125,000</u></b>	<b><u>125,000</u></b>



## Goldstone Teleservices Limited

### Statement of Cash Flows for the year ended 31.03.2003

	Rs. In lakhs	
	31.03.2003	31.03.2002
<b>A. Cash Flow from operating activity</b>		
Net Profit before tax	153.18	345.75
<b>Adjustments for:</b>		
Depreciation	123.67	61.22
Miscellaneous expenditure written off	0.67	0.50
Provision for Gratuity & Earned Leave	4.83	9.12
Other Income	(69.77)	(90.80)
Operating Profit before working capital changes	212.58	325.79
<b>Adjustments for:</b>		
Trade and other receivables	(220.40)	(39.18)
Inventories	7.25	338.27
Trade advances	(444.19)	284.76
Trade Payable	(0.27)	(139.14)
<b>Cash generated from operations</b>	<b>(445.03)</b>	<b>770.50</b>
Direct Taxes paid	(13.59)	(46.40)
Cashflow before extraordinary items	(458.62)	724.10
Extra ordinary items	(0.07)	(102.00)
<b>Net Cash flow from operating activity</b>	<b>(458.69)</b>	<b>622.10</b>
<b>B. Cash Flow from Investing Activity</b>		
Purchase of fixed assets *	(823.44)	(9.57)
Capital work in progress	(400.78)	(102.78)
Purchase of investments	424.97	(35.00)
Miscellaneous Expenditure	(64.72)	—
Interest received	—	1.29
Other income	36.05	26.80
Dividend received	33.72	62.72
<b>Net Cash used for investing activity</b>	<b>(794.20)</b>	<b>(56.54)</b>
<b>C. Cash Flow from financing activities</b>		
Repayment of Working capital Loan	169.53	(179.54)
Term Loan from State Bank of Hyderabad	495.27	0.00
Deferred sales tax loan	36.16	65.94
Dividend paid	(86.70)	0.00
Premium Received on Preferential allotment	367.25	51.00
Proceeds from Preferential allotment premium	62.85	0.00
<b>Net cash generated from financing activity</b>	<b>1044.36</b>	<b>(62.60)</b>
Cash and cash equivalents (Opening Balance)	783.83	280.87
Net increase in Cash & Cash equivalents (A+B+C)	(208.53)	502.96
Cash and cash equivalents (Closing Balance)	575.30	783.83

For **Srivas & Pramodkumar**

Chartered Accountants

Sd/-

**P.R.Pramodkumar**

Partner

Place: Secunderabad

Date : 30.06.2003

on behalf of the Board

Sd/-

**L P Sashikumar**

Managing Director

Sd/-

**J A Rao**

Director

**Balance Sheet Abstract and Company's Business Profile****I. Registration Details :**

Registration No.	<input type="text"/> <input type="text"/> 3 5 4 5 1	State Code	<input type="text"/> 0 1
Balance Sheet Date	<input type="text"/> 3 1 0 3 0 3		
	Date Month Year		

**II. Capital raised during the year (Amount in Rs. lacs)**

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Rights Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement	<input type="text"/> <input type="text"/> 6 2 . 8 5

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lacs)****Sources of Funds:**

Total Liabilities	<input type="text"/> 4 3 4 1 . 6 4	Total Assets	<input type="text"/> 4 3 4 1 . 6 4
Paid-up Capital	<input type="text"/> 5 4 7 . 4 6	Reserves and Surplus	<input type="text"/> 2 5 2 8 . 0 9
Secured Loans	<input type="text"/> 8 4 7 . 9 8	Unsecured Loans	<input type="text"/> 4 1 8 . 1 1

**Application of Funds:**

Net Fixed Assets	<input type="text"/> 2 3 0 5 . 2 8	Investments	<input type="text"/> 5 2 6 . 5 0
Net Current Assets*	<input type="text"/> 1 4 3 9 . 9 5	Misc. Expenditure	<input type="text"/> 6 9 . 9 1
* includes Deferred Tax Liabilities			
Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L		

**IV. Performance of company (Amount in Rs. Lacs)**

Turnover/Income	<input type="text"/> 1 3 7 1 . 0 1	Total Expenditure	<input type="text"/> 1 2 1 7 . 8 2
Profit before tax	<input type="text"/> 1 5 3 . 1 8	Profit after tax	<input type="text"/> 1 2 2 . 3 3
Earning per Share in Rs.	<input type="text"/> <input type="text"/> 0 . 9 0	Dividend Rate	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> -

**V. Generic Names of Three Principal Products / Services of Company**

(as per monetary terms)

Item Code No. (ITC Code) : 754690  
 Product Description : Thermoweld Filled Heat Shrinkable Sleeves

Item Code No. (ITC Code) : 854790  
 Product Description : Jelly Filled Telephone Cable Jointing Kits & Sub Kits

On behalf of the Board

Sd/-  
**L.P.Sashikumar**  
 Managing Director

Sd/-  
**J.A.Rao**  
 Director



**Consolidated Statements  
of  
Goldstone Teleservices Limited**



## Auditors' Report

To  
The Board of Directors  
on the consolidated financial statements of  
**Goldstone Teleservices Limited**  
& its Subsidiaries.

1. We have audited the attached Consolidated Balance Sheet of Goldstone Teleservices Limited as at 31st March 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries of Goldstone Teleservices Limited, whose financial statements reflect total assets of Rs. 9,75,37,422/- as at 31st March, 2003 and total revenues of Rs. 1,42,73,405/- for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us. Our opinion in so far as it relates to the

said amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i. In the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2003;
  - ii. In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended March 31, 2003;
  - iii. In the case of Consolidated Cash Flow statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended March 31, 2003.

For **Srivas and Pramodkumar**  
Chartered Accountants

Secunderabad  
30th June, 2003

Sd/-  
**P R Pramodkumar**  
Partner



## Goldstone Teleservices Limited

### Consolidated Balance Sheet as at 31st March, 2003

	SCHEDULE	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:</b>			
Share Capital	1	54,745,600	48,460,600
Reserves and Surplus	2	272,030,348	223,822,185
		<u>326,775,948</u>	<u>272,282,785</u>
Minority Interest	3	384,494	389,861
<b>LOAN FUNDS:</b>			
Secured Loans	4	94,229,459	21,554,303
Unsecured Loans	5	42,231,040	38,615,077
		<u>136,460,499</u>	<u>60,169,380</u>
<b>Total</b>		<u><b>463,620,941</b></u>	<u><b>332,842,026</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	6	253,696,315	171,352,353
Less : Depreciation		58,008,357	44,657,930
Net Block		195,687,958	126,694,423
Work in progress		50,356,003	10,278,375
		<u>246,043,961</u>	<u>136,972,798</u>
<b>INVESTMENTS</b>	7	44,034,435	82,249,613
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	8	20,318,652	14,902,076
Sundry Debtors	9	58,849,509	38,394,116
Cash and Bank Balances	10	73,755,028	95,479,511
Loans and Advances	11	91,908,104	57,519,311
		<u>244,831,293</u>	<u>206,295,014</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current liabilities	12	33,288,672	37,925,505
Provisions	13	21,613,488	33,439,675
		<u>54,902,160</u>	<u>71,365,180</u>
<b>Net Current Assets</b>		<b>189,929,133</b>	<b>134,929,834</b>
<b>Miscellaneous Expenditure</b>	14	7,334,312	990,883
<b>Deferred Tax Asset / (Liability)</b>		<b>(23,720,900)</b>	<b>(22,301,102)</b>
<b>Total</b>		<u><b>463,620,941</b></u>	<u><b>332,842,026</b></u>
Notes to Accounts	23		

per our report attached  
for **Srivas & Pramodkumar**  
Chartered Accountants

on behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**LP Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30th June, 2003



## Goldstone Teleservices Limited

### Consolidated Profit and Loss Account for the Year Ended 31st March, 2003

	SCHEDULE	For the year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>INCOME</b>			
Sales	15	142,923,783	255,597,481
Accretion / (Decretion) to stocks	16	3,114,632	(28,870,141)
Other Income	17	8,022,780	10,517,202
<b>Total</b>		<b>154,061,195</b>	<b>237,244,542</b>
<b>EXPENDITURE</b>			
Material Cost	18	45,424,174	119,927,192
Excise Duty		2,834,720	5,969,657
Personnel Expenditure	19	28,402,616	13,801,450
Other Manufacturing Costs	20	4,222,924	7,467,369
Administrative and Selling Expenses	21	37,337,654	40,628,938
Financial Expenses	22	6,471,609	5,049,947
Depreciation		13,350,427	6,860,580
Miscellaneous Expenses Written off		128,720	96,540
<b>Total</b>		<b>138,172,844</b>	<b>199,801,673</b>
Profit before Taxation		15,888,351	37,442,869
Provision for taxation			
– Current		2,250,000	7,433,707
– Deferred		1,419,798	2,148,263
Profit after tax for the year		12,218,553	27,860,899
Prior period adjustments(-)		(740,757)	(16,800,701)
<b>Net Profit</b>		<b>11,477,796</b>	<b>11,060,198</b>
Minority Interest (+)		5,367	172,343
Profit brought forward from the previous year		48,749,410	51,581,728
Amount available for appropriation		60,232,573	62,814,269
<b>APPROPRIATIONS</b>			
Proposed Dividend		—	8,672,120
Transfer to General Reserve		—	5,000,000
Surplus Transferred to Balance Sheet		60,232,573	49,142,149
Earnings per share (Basic/diluted)		0.85	1.04
(Nominal Value of Share of Rs. 4/- each)			
No of Shares used in computing Earnings per share		13,665,150	10,840,150
Notes to Accounts	23		

per our report attached  
for **Srivas & Pramodkumar**  
Chartered Accountants

on behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**LP Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30th June, 2003



## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>1: SHARE CAPITAL</b>		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each, issued, Subscribed and Paid up:	<u>100,000,000</u>	<u>100,000,000</u>
1,36,65,150 Equity Shares of Rs. 4/- each, fully paid up	<u>54,660,600</u>	43,360,600
(Of the above, 28,25,000 Equity Shares have been allotted during year on Preferential basis, upon conversion of Equity Warrants)		
Share Warrant Application money received (Pending allotment)	<u>85,000</u>	5,100,000
<b>Total</b>	<u><u>54,745,600</u></u>	<u><u>48,460,600</u></u>
<b>2: RESERVES AND SURPLUS</b>		
Share Premium :		
Opening Balance	97,714,028	97,714,028
Add : Premium received on Preferential Issue of 2825000 Equity Shares of Rs. 13/-, during the year	<u>36,725,000</u>	—
Balance	<u>134,439,028</u>	97,714,028
General Reserve :		
Opening Balance	60,237,467	75,199,321
Add : Transfer from Profit and Loss Account	—	5,000,000
Less : Minority Interest	—	10,538
Less : Accumulated Deferred Tax Liability	—	19,951,316
Balance	<u>60,237,467</u>	60,237,467
Capital Reduction Account	<u>17,121,280</u>	17,121,280
Surplus:		
Opening Balance	48,749,410	51,581,728
Less : Minority Interest	—	191,216
Less : Accumulated Deferred Tax Liability	—	201,523
Add : Balance transferred from the Profit and Loss Account	<u>11,483,163</u>	(2,439,579)
Balance	<u>60,232,573</u>	48,749,410
<b>Total</b>	<u><u>272,030,348</u></u>	<u><u>223,822,185</u></u>



## Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>3: MINORITY INTEREST</b>		
As at the commencement of the year	<b>389,861</b>	—
Share in the Equity	—	360,450
Share in the General Reserve	—	10,538
Share in the Profit & Loss Account	—	191,216
Current Year Profit / (Loss)	<b>(5,367)</b>	(172,343)
<b>Total</b>	<b><u>384,494</u></b>	<b><u>389,861</u></b>
<b>4: SECURED LOANS</b>		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad	<b>35,271,355</b>	18,318,155
Cash Credit from State Bank of India	<b>9,431,353</b>	3,236,148
Term Loan from State Bank of Hyderabad	<b>49,526,751</b>	—
<b>Total</b>	<b><u>94,229,459</u></b>	<b><u>21,554,303</u></b>
<b>5: UNSECURED LOANS:</b>		
Sales Tax Deferment		
Opening Balance	<b>38,195,077</b>	31,600,357
Additions during the year	<b><u>3,615,963</u></b>	<u>6,594,720</u>
Balance	<b>41,811,040</b>	38,195,077
REPL Engineering Limited	<b>420,000</b>	420,000
<b>Total</b>	<b><u>42,231,040</u></b>	<b><u>38,615,077</u></b>

## Schedules Forming Part of the Consolidated Accounts

### 6: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2002 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31.03.2003 Rs.	As at 01.04.2002 Rs.	For the year Rs.	Adjustments/ Deductions Rs.	Upto 31.03.2003 Rs.	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
Goodwill	5,459,330	—	—	5,459,330	—	—	—	—	5,459,330	5,459,330
Land	1606095	—	—	1,606,095	—	—	—	—	1,606,095	1,606,095
Buildings	14,305,777	—	—	14,305,777	2,819,621	477,813	—	3,297,434	11,008,343	11,486,156
Plant & Machinery	107,448,567	—	—	107,448,567	29,776,362	5,103,808	—	34,880,170	72,568,397	77,672,205
Furniture & Fixures	3,530,287	3,613,932	—	7,144,219	1,185,435	311,758	—	1,497,193	5,647,026	2,344,852
Lab Tools & Equipment	2,627,571	—	—	2,627,571	820,797	124,810	—	945,607	1,681,964	1,806,774
Electrical Equipment/ Installation	8,057,966	1,060,488	44,966	9,073,488	1,644,202	405,720	—	2,049,922	7,023,566	6,413,764
Vehicles	10,516,955	270,000	—	10,786,955	3,296,647	1,018,945	—	4,315,592	6,471,363	7,220,308
Computer system	10,741,989	45,836,932	—	56,578,921	3,422,447	4,360,507	—	7,782,954	48,795,967	7,319,542
Office equipment	1,940,583	1,856,237	—	3,796,820	549,192	129,088	—	678,280	3,118,540	1,391,391
Generator	4,021,817	752,360	—	4,774,177	1,005,838	205,527	—	1,211,365	3,562,812	3,015,979
Leasehold Improvements	562,516	5,326,492	—	5,889,008	89,939	104,632	—	194,571	5,694,437	472,577
Air Conditioners	516,486	1,548,899	—	2,065,385	42,960	52,864	—	95,824	1,969,561	473,526
Network Equipments	—	19,628,908	—	19,628,908	—	1,015,664	—	1,015,664	18,613,244	—
Electronic Equipments & UPS	—	2,494,680	—	2,494,680	—	38,511	—	38,511	2,456,169	—
Tools & Spares	16,414	—	—	16,414	4,490	780	—	5,270	11,144	11,924
<b>Total</b>	<b>171,352,353</b>	<b>82,388,928</b>	<b>44,966</b>	<b>253,696,315</b>	<b>44,657,930</b>	<b>13,350,427</b>	<b>—</b>	<b>58,008,357</b>	<b>195,687,958</b>	<b>126,694,423</b>
<b>Total</b>	<b>164,967,378</b>	<b>6,956,348</b>	<b>571,373</b>	<b>171,352,353</b>	<b>37,798,359</b>	<b>6,860,579</b>	<b>1,008</b>	<b>44,657,930</b>	<b>126,694,423</b>	<b>—</b>





## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>7: INVESTMENTS- AT COST</b>		
<b>Trade (Quoted, Long-term)</b>		
GTCL Mobilecom Technology Limited 9700 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs.4.40 per share – Rs. 42,680/-)	97,000	97,000
GR Cables Limited 43,31,190 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 2.65 per share - Rs. 1,14,77,654/-)	40,663,000	17,160,000
Bharti Televenture Limited 3,683 nos. of Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs.28.30 per share - Rs. 104228/-)	165,735	3,073,500
Goldstone Teleservices Limited 50,000 nos. of Equity Shares of 4/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 8.20 per share - Rs. 4,10,000/-)	608,700	5,919,113
<b>Trade (Unquoted)</b>		
<b>Long-term:</b>		
Birla Income Plus bonds 5,15,460.154 units of Rs. 10/- each, fully paid up	5,000,000	25,000,000
Less : Redemption during the year	<u>5,000,000</u>	<u>20,000,000</u>
Alliance Liquid Income 14,23,037.19 units of Rs. 10/- each, fully paid up	15,000,000	
Less : Redemption during the year	<u>15,000,000</u>	15,000,000
Sun F&C Money Value Fund Bond 9,85,228.735 units of Rs. 10/- each, fully paid up	10,000,000	
Less : Redemption during the year	<u>10,000,000</u>	10,000,000
IDBI Principal Income Fund 13,43,599.867 units of Rs. 10/- each, fully paid up	14,000,000	
Less : Redemption during the year	<u>14,000,000</u>	14,000,000
GEL Infrastructure Private Limited Share application money invested during the year	2,500,000	—
<b>Current :</b>		
Templeton Liquid Fund 10,61,711.750 units of Rs. 10/- each, fully paid up	12,000,000	
Less : Redemption during the year	<u>12,000,000</u>	12,000,000
<b>Total</b>	<u><u>44,034,435</u></u>	<u><u>82,249,613</u></u>





## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>8: INVENTORIES</b> (As Certified by the Management)		
Components and Packing Materials (at cost)	5,261,821	3,209,936
Raw Materials (at cost)	4,341,692	4,224,304
Work-in process- Sleeves (at cost)	10,715,139	7,467,836
<b>Total</b>	<b><u>20,318,652</u></b>	<b><u>14,902,076</u></b>
<b>9: SUNDRY DEBTORS</b> (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	6,448,417	11,219,125
Other Debts	52,401,092	27,174,991
<b>Total</b>	<b><u>58,849,509</u></b>	<b><u>38,394,116</u></b>
<b>10: CASH &amp; BANK BALANCES</b>		
Cash on hand	147,208	457,530
Balances with Scheduled Banks:		
– In Current Accounts	21,304,039	16,270,715
– In Fixed Deposits	15,026,333	40,253,299
– In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	37,277,448	38,497,967
<b>Total</b>	<b><u>73,755,028</u></b>	<b><u>95,479,511</u></b>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>11: LOANS &amp; ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	66,990,973	31,443,222
Advances to suppliers	10,852	687,311
Advances to Staff	631,410	320,803
Balance with Govt. bodies	1,251,160	856,615
Deposits	2,801,040	805,070
Advance Tax	17,108,712	22,222,192
Tax deducted at source	2,599,979	1,155,163
Prepaid Expenses	513,978	28,935
<b>Total</b>	<b>91,908,104</b>	<b>57,519,311</b>
<b>12: CURRENT LIABILITIES</b>		
Sundry Creditors		
Dues of Small Scale Industrial Undertakings	2,815,205	5,214,253
Others	2,245,985	13,953,632
Statutory Liabilities	3,707,046	656,643
Other liabilities	24,520,436	18,100,977
<b>Total</b>	<b>33,288,672</b>	<b>37,925,505</b>
<b>13: PROVISIONS</b>		
Provision for Taxation	19,848,682	23,543,158
Proposed Dividend	289,961	8,960,480
Provision for Staff Benefit Scheme:		
For Gratuity	1,124,737	635,002
For Earned Leave Encashment	350,108	301,035
<b>Total</b>	<b>21,613,488</b>	<b>33,439,675</b>
<b>14: MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Preliminary Expenses	990,883	1,087,423
Less : Written off during the year	128,720	862,163
Miscellaneous Expenditure	6,472,149	990,883
<b>Total</b>	<b>7,334,312</b>	<b>990,883</b>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	For the year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>15: SALES</b>		
<b>Telecom Division</b>		
– Domestic	107,944,005	255,597,481
– Exports	198,469	—
<b>BPO Division</b>	34,781,309	—
<b>Total</b>	<b>142,923,783</b>	<b>255,597,481</b>
<b>16: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods	10,231,101	7,116,469
Less : Opening Stock of WIP & Finished Goods	7,116,469	35,986,610
<b>Total</b>	<b>3,114,632</b>	<b>(28,870,141)</b>
<b>17: OTHER INCOME</b>		
Insurance Claims received	249,425	294,969
Interest on Fixed Deposits & loans	3,329,504	2,298,448
Service Charges	994,533	974,249
Miscellaneous Income	19,024	37,458
Profit on sale of Investments	—	640,142
Dividend Received	3,430,294	6,271,936
<b>Total</b>	<b>8,022,780</b>	<b>10,517,202</b>
<b>18: MATERIAL COST</b>		
Opening Stock	7,785,607	38,101,207
Purchases:		
– Kit Components	29,935,982	65,649,930
– Packing Materials	6,049,843	6,302,473
– Raw materials		
Imported	10,737,672	14,021,635
Domestic	336,442	848,503
Other Purchase costs	666,179	2,789,051
	55,511,725	127,712,799
Less : Closing Stock	10,087,551	7,785,607
<b>Total</b>	<b>45,424,174</b>	<b>119,927,192</b>
<b>19: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	26,888,407	12,502,321
Staff Welfare	1,514,209	1,299,129
<b>Total</b>	<b>28,402,616</b>	<b>13,801,450</b>



## Goldstone Teleservices Limited

### Schedules Forming Part of the Consolidated Accounts

	For the year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>20: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	2,320,025	2,731,823
Consumables	288,250	771,924
Repairs and Maintenance		
– Plant and Machinery	272,967	1,153,594
– Buildings	29,912	15,130
– Others	915,776	2,399,051
Testing and Inspection Charges	351,995	363,028
Job Work Charges	43,999	32,819
<b>Total</b>	<b>4,222,924</b>	<b>7,467,369</b>
<b>21: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Directors Remuneration	1,213,884	907,721
Advertisement	302,927	430,416
Electricity	1,598,155	502,596
Rent	2,238,183	926,124
Legal Fees	149,734	438,709
Printing and Stationery	415,420	423,260
Tender Expenses	180,656	127,141
Postage, Telephones and Internet	5,670,553	1,970,129
Insurance	659,443	1,883,289
Professional and Consultancy	4,687,622	6,142,228
Fees, Rates and Taxes	430,204	191,728
Gifts and Donations	397,349	627,225
Vehicle Maintenance	1,386,568	1,744,158
Travelling Expenses		
– Directors	70,390	173,284
– Others	2,519,877	2,198,646
Conveyance		
– Staff Transport	3,741,704	1,172,604
– Others	16,792	—
Carriage Outward	1,745,928	6,158,187
Sales Tax	4,323,716	9,902,124
Auditors Remuneration	220,000	220,000
Business Promotion	929,920	1,229,479
Office Maintenance	511,367	309,744
Miscellaneous Expenses	2,245,047	2,369,471
Listing Fees	64,250	145,135
Loss on sale of Investments	515,511	—
Security Charges	519,184	435,540
Commission & Brokerage	583,270	—
<b>Total</b>	<b>37,337,654</b>	<b>40,628,938</b>
<b>22: FINANCIAL EXPENSES</b>		
Interest on Working Capital & Term Loan	3,727,489	2,828,119
Bank Charges & Commission	2,245,369	2,154,400
Other Finance Charges	498,751	67,428
<b>Total</b>	<b>6,471,609</b>	<b>5,049,947</b>



## Schedules Forming Part of the Consolidated Accounts

### 23: Notes to Accounts:

#### **Description of Business:**

Goldstone Teleservices and its consolidated subsidiaries are all engaged in the business of manufacture of telecom cable jointing kits with production facilities situated at IDA, Cherlapally, Hyderabad, R.R.Dist.

#### **Basis of Consolidation:**

The consolidated financial statements of Goldstone Teleservices Ltd and its subsidiaries have been prepared under the historical cost convention in accordance with the generally accepted accounting principles, the provisions of the Companies Act 1956, and the Accounting Standard 21 on consolidation of financial statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company, Goldstone Teleservices Ltd for its separate financial statements.

#### **Revenue recognition:**

All incomes and expenditure are accounted on accrual basis.

Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.

Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance.

In respect of BPO operations the revenue from per engagement services are based on the engagement performed. Revenues from per time period services are recognized based on the time incurred in providing services at the contract rates.

#### **Fixed Assets:**

Fixed Assets are stated at cost, net of CENVAT credit and include acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.

Depreciation on Fixed assets is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### **Investments:**

Investments are classified into current investments and long-term investments. Current investments are carried at lower of cost or fair market value. Any deduction in carrying amount and any reversals of such reductions are charged or credited to Profit & Loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

#### **Inventories:**

All inventories are valued at cost or net realizable value whichever is less.

#### **Sundry Debtors and Loans & Advances:**

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

#### **Miscellaneous Expenditure:**

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.

#### **Sales Tax Deferment**

Sales Tax is charged to revenue and Sales tax payable on sale of jointing kits is treated as unsecured Loan on the basis of an express notification of the AP State Government vide GOMS No 108 dt 20.05.1996.

**Foreign Currency Transactions:**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

**Government Grants/incentives:**

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans.

**Retirement Benefits:**

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the basis of actuarial valuation.

**Income Tax:**

Income tax for the year comprises current and deferred tax.

Provision for income tax is made on the basis of estimated taxable income. The company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

**Segment Reporting:****Business Segments:**

During the year, BPO Services Division commenced operations on 4.11.2002. Accordingly, segment wise results for Telecom Division and BPO Division are given as under:

	Rs in lakhs		
	Telecom	BPO	Consolidated
Revenue	953.42	347.81	1301.23
Other Income	69.77	—	69.77
Segment Revenue	1023.19	347.81	1371.00
Segment Results	121.66	83.33	204.99
Add : Unallocated income (net of expenditure)			
Less : Financial Expenses	49.42	2.46	51.88
Profit before Taxation	72.24	80.87	153.11
Provision for Taxation	30.86	0.00	30.86
Profit after taxation	41.38	80.87	122.25
Segment Assets	3774.92	1108.66	4874.00
Segment Liabilities	1282.38	595.63	1878.01
Capital employed	2492.53	513.03	3005.56

**Deferred Tax Liability:**

Deferred Tax asset or liability is recognised for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India

**Retirement Benefits:**

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.



## Goldstone Teleservices Limited

### Related party disclosure:

Transactions with subsidiary companies:

Name and nature of relationship of the related party where control exists:

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). ( GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2003  
Shree Shree Telecom Private Limited (SSTL), 100% subsidiary company of Goldstone Teleservices Limited (GTSL).

	2002-2003		(Rs.in lacs) 2001-2002	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	3.42	0.86	15.38	20.31
Receipt towards share of common exp.	34.67	—	77.17	29.47

Transactions with Key Management Personnel:

	Year ended 31.03.2003	Period ended 31.03.2002
Sri. L P Sashikumar, Managing Director		
Salary	12.00	9.00
Reimbursement of Expenses	0.14	0.08

### Earnings per share:

Calculation of EPS

	2002-03	2001-02 (Nos.)
Total No. of Shares outstanding	13,665,150	10,840,150
Profit after taxes before Exceptional items	123.04	300.09
Profit after taxes after Exceptional items	122.26	168.00
EPS before Non-recurring and Exceptional items	0.90	2.77
EPS after Non-recurring and Exceptional items	0.85	1.04

### Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company	Extent of holding (%) As on 31.03.2003	Extent of holding (%) As on 31.03.2002
1	Newtech Stewing Telecom Ltd	97.59	97.59
2	Shree Shree Telecom Pvt Ltd	100.00	100.00

Consolidated Financial Statements are prepared in accordance with the guidelines given in Accounting standard 21 issued by the Institute of Chartered Accountants of India only with respect to current year financial statements.

Figures have been rounded off to the nearest rupee.

Previous period figures have been regrouped wherever necessary.

As per our report of even date  
For **Srivas & Pramodkumar**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**L.P.Sashikumar**  
Managing Director

Sd/-  
**J A Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



## Goldstone Teleservices Limited

### Statement of Consolidated Cash Flows for the year ended 31.03.2003

(Amounts in Rs. lakhs)

31.03.2003

<b>A. Cash Flow from operating activity</b>	
Net Profit before tax	158.88
<b>Adjustments for:</b>	
Depreciation	133.50
Miscellaneous expenditure written off	1.29
Provision for Gratuity & Earned Leave	5.39
Other Income	(80.23)
Operating Profit before working capital changes	218.83
<b>Adjustments for:</b>	
Trade and other receivables	(204.55)
Inventories	(54.17)
Trade advances	(380.57)
Trade Payable	(46.37)
<b>Cash generated from operations</b>	<b>(466.83)</b>
Direct Taxes paid	(22.75)
Cashflow before extraordinary items	(489.58)
Extra ordinary items	(7.41)
<b>Net Cash flow from operating activity</b>	<b>(496.99)</b>
<b>B. Cash Flow from Investing Activity</b>	
Purchase of fixed assets*	(823.44)
Capital work in progress	(400.78)
Sale of investments	382.15
Miscellaneous Expenditure	(64.72)
Interest received	33.30
Other income	12.63
Dividend received	34.30
<b>Net Cash used for investing activity</b>	<b>(826.56)</b>
<b>C. Cash Flow from financing activities</b>	
Repayment of Working capital Loan (SBH)	169.53
Repayment of Working capital Loan (SBI)	61.95
Term Loan from State Bank of Hyderabad	495.27
Deferred sales tax loan	36.16
Dividend Paid	(86.70)
Premium Received on Preferential Allotment	367.25
Proceeds from Preferential allotment	62.85
<b>Net cash generated from financing activity</b>	<b>1,106.31</b>
Cash and cash equivalents (Opening Balance)	954.80
Net increase in Cash & Cash equivalents (A+B+C) **	(217.24)
Cash and cash equivalents (Closing Balance)	737.56

for **Srivas & Pramodkumar**  
Chartered Accountants

on behalf of the board

Sd/-  
**P.R.Pramodkumar**  
Partner

Sd/-  
**L P Sashikumar**  
Managing Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30th June, 2003





## Directors' Report

To  
The Members  
Newtech Stewing Telecom Limited

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2003.

### Financial Results

#### Rs in Lakhs

Particulars	2002-03	2001-02
Net Sales/Income from Operations	122.12	583.27
Other Income	7.85	11.86
Total Income	129.97	595.13
Operating Profit (PBIDT) /Loss	30.51	35.64
Interest	10.30	13.09
Depreciation and Write Offs	9.26	06.95
Profit Before Tax	10.93	15.59
Provision for Tax		
– Current	2.50	23.00
– Deferred	2.48	(1.94)
Profit after Tax	5.95	(5.47)
Extra –ordinary Items	8.98	66.02
– Prior Period Adjustments		
Equity Share Capital	149.51	149.51
Tangible Net Worth	327.43	329.06

### Fixed deposits

Your Company has not accepted any Fixed Deposits.

### Auditors

The Statutory Auditors M/s. Srinivas P & Associates Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing Annual General Meeting and being eligible are recommended for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

### 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 year ended 31st March 2003, 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 2003 and the profit or loss of the Company for the period 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 detecting fraud and other irregularities.

- d) That the accounts for the year ended 31st March 2003 have been prepared on a going concern basis.

**Secretarial Compliance Report as per Section 383(A) has been obtained from Puttaparthi Jagannatham & Co.,**

**Conservation of energy / technology absorption, foreign exchange earnings and outgoings as per Section 217(1) (e)**

- (a) Though the manufacturing process is not power intensive, continuous efforts are made to ensure conservation of energy

- (b to c) There are no particulars required to be mentioned.

- (d) **Foreign Exchange Outgo on account of:-** Value of Imports on CIF basis of Raw Materials for the year ended 31st March 2003 is Rs. 15.60 Lakhs as against Rs. 44.12 Lakhs previous period.

There were no Foreign Exchange Earnings

**Particulars of Employees as per Section 217(2A)**

There are no employees covered under this Section

### Directors

In accordance with the provisions of the Companies Act 1956 Mr. J A Rao Director of the Company retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment.

### Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh and State Bank of India, employees for their support and guidance.

For and on behalf of the Board

Place: Secunderabad  
Date : 30.06.2003

Sd/-  
**J A Rao**  
Director



## Auditors' Report

To  
The Shareholders of  
**Newtech Stewing Telecom Limited**

We have audited the attached Balance Sheet of Newtech Stewing Telecom Limited as at 31st March 2003 and the Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
3. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
  - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors as on March 31,2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31,2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
    - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For **Srinivas P & Associates**  
Chartered Accountants

Sd/-  
**P.Srinivas**  
Partner

Place : Secunderabad  
Date : 30.06.2003



## Annexure to Auditors' Report

(Referred to in paragraph 1 of our Report of even date on the accounts of Newtech Stewing Telecom Limited as at 31st March 2003)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the year.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the year, as informed by the management.
4. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
5. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
6. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
8. The company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
9. In the absence of specific terms and conditions in respect of loans/advances in the nature of loans given by the company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- (Rupees fifty thousand only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.
12. We are informed by the management that there were no damaged stores as at the date of the balance sheet. The unserviceable stocks are charged off to the profit & loss account.
13. The Company has not accepted any deposits from the public during the year under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2003 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
20. The Company is not a sick industrial company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Srinivas P & Associates**  
Chartered Accountants

Sd/-  
**P.Srinivas**  
Partner

Place: Secunderabad  
Date : 30.06.2003



# Newtech Stewing Telecom Limited

## Balance Sheet as at 31st March, 2003

	SCHEDULE	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:</b>			
Share Capital	1	<b>14,951,120</b>	14,951,120
Reserves and Surplus	2	<b>18,118,608</b>	18,341,217
		<b><u>33,069,728</u></b>	<b><u>33,292,337</u></b>
<b>LOAN FUNDS:</b>			
Secured Loans	3	<b>9,431,353</b>	3,236,148
Unsecured Loans	4	<b>420,000</b>	420,000
		<b><u>9,851,353</u></b>	<b><u>3,656,148</u></b>
<b>Total</b>		<b><u>42,921,081</u></b>	<b><u>36,948,485</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	5	<b>18,127,260</b>	18,127,260
Less : Depreciation		<b>10,236,201</b>	9,368,946
Net Block		<b><u>7,891,059</u></b>	<b><u>8,758,314</u></b>
<b>INVESTMENTS</b>	6	<b>10,174,435</b>	8,992,613
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	<b>11,884,280</b>	5,783,080
Sundry Debtors	8	<b>6,646,522</b>	6,967,425
Cash and Bank Balances	9	<b>11,062,357</b>	12,332,731
Loans and Advances	10	<b>9,368,431</b>	13,856,150
		<b><u>38,961,590</u></b>	<b><u>38,939,386</u></b>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current liabilities	11	<b>3,232,259</b>	3,887,039
Provisions	12	<b>8,083,308</b>	13,372,060
		<b><u>11,315,567</u></b>	<b><u>17,259,099</u></b>
<b>Net Current Assets</b>		<b>27,646,023</b>	<b>21,680,287</b>
<b>Miscellaneous Expenditure</b>	13	<b>326,577</b>	385,953
<b>Deferred Tax Asset / (Liability)</b>		<b>(3,117,013)</b>	(2,868,682)
<b>Total</b>		<b><u>42,921,081</u></b>	<b><u>36,948,485</u></b>
Accounting policies	22		
Notes to Accounts	23		

per our report attached  
for **Srinivas P & Associates**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.Srinivas**  
Partner

Sd/-  
**LP Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



## Newtech Stewing Telecom Limited

### Profit and Loss Account for the Year Ended 31st March, 2003

	SCHEDULE	For the Year ended 31.03.2003 Rs.	For the Period ended 31.03.2002 Rs.
<b>INCOME</b>			
Sales	14	12,212,121	58,326,976
Accretion / (Decretion) to stocks	15	3,426,247	(720,244)
Other Income	16	784,688	1,186,357
<b>Total</b>		<b>16,423,056</b>	<b>58,793,089</b>
<b>EXPENDITURE</b>			
Material Cost	17	6,161,738	38,617,756
Excise Duty		203,602	1,290,332
Personnel Expenditure	18	1,717,660	3,077,083
Other Manufacturing Costs	19	579,417	1,698,386
Administrative and Selling Expenses	20	4,709,803	10,545,921
Financial Expenses	21	1,030,212	1,309,452
Depreciation		867,255	650,903
Miscellaneous Expenses Written off		59,376	44,532
<b>Total</b>		<b>15,329,063</b>	<b>57,234,365</b>
Profit before Taxation		1,093,993	1,558,724
Provision for taxation			
– Current		250,000	2,300,000
– Deferred		248,331	—
Prior period adjustments		(818,271)	(6,601,546)
Excess Deferred Tax Liability reversed (+)		—	194,201
		(222,609)	(7,148,621)
Profit brought forward from previous period		782,820	7,931,441
Surplus transferred to Balance Sheet		560,211	782,820
Accounting policies	22		
Notes to Accounts	23		

per our report attached  
for **Srinivas P & Associates**  
Chartered Accountants

On behalf of the Board

Sd/-  
**P.Srinivas**  
Partner

Sd/-  
**LP Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



# Newtech Stewing Telecom Limited

## Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>1: SHARE CAPITAL</b>		
Authorised:		
60,00,000 Equity Shares of Rs.10/- each	<u>60,000,000</u>	<u>60,000,000</u>
Issued, Subscribed and Paid up:		
1495112 Equity Shares of Rs.10/- each fully paid up	<u>14,951,120</u>	<u>14,951,120</u>
<b>Total</b>	<u><u>14,951,120</u></u>	<u><u>14,951,120</u></u>
<b>2: RESERVES AND SURPLUS</b>		
General Reserve :		
Opening Balance	437,117	3,500,000
Less : Accumulated Deferred Tax Liability	<u>—</u>	<u>3,062,883</u>
Balance	437,117	437,117
Capital Reduction	17,121,280	17,121,280
Surplus:		
Opening Balance	782,820	7,931,441
Add : Balance transferred from the Profit and Loss Account	<u>(222,609)</u>	<u>(7,148,621)</u>
Balance	560,211	782,820
<b>Total</b>	<u><u>18,118,608</u></u>	<u><u>18,341,217</u></u>
<b>3: SECURED LOANS</b>		
Working Capital Advances:	9,431,353	3,236,148
Cash Credit from State Bank of India		
<b>Total</b>	<u><u>9,431,353</u></u>	<u><u>3,236,148</u></u>
<b>4: UNSECURED LOANS:</b>		
Unsecured loan from others	420,000	420,000
<b>Total</b>	<u><u>420,000</u></u>	<u><u>420,000</u></u>



## Schedules Forming Part of the Accounts

### 5: FIXED ASSETS

Amount in Rs.

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2002	Additions during the year	As At 31.03.2003	Upto 01.04.2002	For the year	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
Furniture & fixtures	374,868	—	<b>374,868</b>	343,874	23,729	<b>367,603</b>	<b>7,265</b>	30,994
Office equipments	437,649	—	<b>437,649</b>	241,089	20,788	<b>261,877</b>	<b>175,772</b>	196,560
Computers & Software	1,884,624	—	<b>1,884,624</b>	422,755	89,520	<b>512,275</b>	<b>1,372,349</b>	1,461,869
Vehicles	19,010	—	<b>19,010</b>	17,820	1,190	<b>19,010</b>	—	1,190
Plant & machinery	15,411,109	—	<b>15,411,109</b>	8,343,408	732,028	<b>9,075,436</b>	<b>6,335,673</b>	7,067,701
<b>Total</b>	<b>18,127,260</b>	—	<b>18,127,260</b>	<b>9,368,946</b>	<b>867,255</b>	<b>10,236,201</b>	<b>7,891,059</b>	<b>8,758,314</b>
Previous Year	18,127,260	—	<b>18,127,260</b>	8,718,043	650,903	<b>9,368,946</b>	<b>8,758,314</b>	9,409,217



# Newtech Stewing Telecom Limited

## Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>6: INVESTMENTS- AT COST</b>		
<b>Trade (Quoted, Long-term)</b>		
Goldstone Teleservices Limited 50000 Nos. Equity Shares of Rs. 4/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 8.20 per share - Rs. 410000/-)	608,700	5,919,113
G R Cables Limited 13,42,857 Nos. of Equity Shares of RS. 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 2.65 per share - Rs. 3558571/-)	9,400,000	—
Bharti Televentures Limited 3,683 Nos. of Equity Shares of Rs. 10/- each, fully paid up (Market Value as at 31.03.03 @ Rs. 28.30 per share - Rs. 104229/-)	165,735	3,073,500
<b>Total</b>	<b>10,174,435</b>	<b>8,992,613</b>
<b>7: INVENTORIES</b> (As Certified by the Management)		
Components and Packing Materials (at cost)	4,489,186	2,092,313
Raw materials (at cost)	1,091,070	812,990
Work-in-process- Sleeves (at cost)	6,304,024	2,877,777
<b>Total</b>	<b>11,884,280</b>	<b>5,783,080</b>
<b>8: SUNDRY DEBTORS</b> (Unsecured, considered good)		
a. Debts outstanding for a period exceeding six months	3,304,632	1,118,227
b. Other Debts	3,341,890	5,849,198
<b>Total</b>	<b>6,646,522</b>	<b>6,967,425</b>
<b>9: CASH &amp; BANK BALANCES</b>		
Cash on hand	1,230	1,230
Balances with Scheduled Banks:		
– In Current Accounts	2,368,317	3,692,944
– In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	8,692,810	8,638,557
<b>Total</b>	<b>11,062,357</b>	<b>12,332,731</b>





# Newtech Stewing Telecom Limited

## Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>10: LOANS &amp; ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	1,398,149	1,181,527
Advances to suppliers	9,870	21,750
Advances to Staff	5,000	9,400
Balance with Govt bodies	572,272	418,844
Deposits	10,000	10,000
Advance Tax	6,979,430	11,959,451
Tax deducted at source	369,234	255,178
Prepaid Expenses	24,476	—
<b>Total</b>	<b>9,368,431</b>	<b>13,856,150</b>
<b>11: CURRENT LIABILITIES</b>		
Sundry Creditors		
– Dues of Small Scale Industrial undertakings	34,137	1,122,817
– Others	1,214,456	2,180,191
Statutory Liabilities	2,392	187,730
Other liabilities	1,981,274	396,301
<b>Total</b>	<b>3,232,259</b>	<b>3,887,039</b>
<b>12: PROVISIONS</b>		
Provision for Taxation	7,714,975	13,059,451
Proposed Dividend	288,360	288,360
Provision for Staff Benefit Scheme:		
– For Gratuity	63,123	15,369
– For Earned Leave Encashment	16,850	8,880
<b>Total</b>	<b>8,083,308</b>	<b>13,372,060</b>
<b>13: MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Preliminary Expenses	385,953	430,485
Less : Written off during the year	59,376	44,532
<b>Total</b>	<b>326,577</b>	<b>385,953</b>
<b>14: SALES</b>		
– Domestic	12,212,121	58,326,976
– Exports	—	—
<b>Total</b>	<b>12,212,121</b>	<b>58,326,976</b>
<b>15: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods	6,304,024	2,877,777
Less : Opening Stock of WIP & Finished Goods	2,877,777	3,598,021
<b>Total</b>	<b>3,426,247</b>	<b>(720,244)</b>
<b>16: OTHER INCOME</b>		
Insurance Claims received	—	121,461
Interest on Fixed Deposits	716,991	424,754
Profit on Sale of Investments	—	640,142
Dividend Received	58,603	—
Miscellaneous Income	9,094	—
<b>Total</b>	<b>784,688</b>	<b>1,186,357</b>



# Newtech Stewing Telecom Limited

## Schedules Forming Part of the Accounts

	For the Year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>17: MATERIAL COST</b>		
Opening Stock	2,905,303	26,717,443
Purchases:		
– Kit Components	5,690,776	7,982,897
– Packing Materials	768,891	1,284,918
– Imported Raw materials	2,312,247	5,437,262
Other Purchase costs	64,777	100,539
	11,741,994	41,523,059
Less : Closing Stock	5,580,256	2,905,303
<b>Total</b>	<b>6,161,738</b>	<b>38,617,756</b>
<b>18: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	1,635,782	2,820,260
Staff Welfare	81,878	256,823
<b>Total</b>	<b>1,717,660</b>	<b>3,077,083</b>
<b>19: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	276,445	628,006
Consumables	33,609	141,763
Repairs and Maintenance		
– Plant and Machinery	55,044	212,115
– Buildings	4,363	3,590
– Others	102,584	445,929
Testing and Inspection Charges	70,638	241,644
Job Work Charges	36,734	25,339
<b>Total</b>	<b>579,417</b>	<b>1,698,386</b>
<b>20: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Advertisement	44,188	107,235
Electricity	83,569	110,121
Rent	196,610	234,122
Legal Fees	21,842	162,804
Printing and Stationery	69,284	128,874
Tender Expenses	55,363	36,560
Postage, Telephones and Internet	218,815	442,768
Insurance	120,852	313,278
Professional and Consultancy	942,963	2,876,300
Fees, Rates and Taxes	19,348	25,060
Gifts and Donations	2,895	146,119
Vehicle Maintenance	196,426	373,032
Travelling Expenses		
– Directors	10,268	30,440
– Others	268,225	476,173
Conveyance	118,666	225,076
Carriage Outward	242,185	1,655,781
Sales Tax	505,087	2,238,816
Auditors Remuneration	75,000	75,000
Business Promotion	56,927	258,069
Office Maintenance	45,480	40,627
Miscellaneous Expenses	268,121	506,309
Security Charges	48,908	83,357
Commission & Brokerage	583,270	—
Loss on Sale of Investments	515,511	—
<b>Total</b>	<b>4,709,803</b>	<b>10,545,921</b>
<b>21: FINANCIAL EXPENSES</b>		
Interest on Working Capital Loan	531,492	733,440
Bank Charges & Commission	312,470	575,781
Other Finance Charges	186,250	231
<b>Total</b>	<b>1,030,212</b>	<b>1,309,452</b>



## Schedules Forming Part of the Accounts

### Schedule 22 : Significant Accounting Policies

#### **Basis of Preparation of Financial Statements**

The Financial statements have been prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act 1956.

#### **Revenue recognition:**

- i) All incomes and expenditure are accounted on accrual basis.
- ii) Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
- iii) Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance.

#### **Fixed Assets:**

- i) Fixed Assets are stated at cost, net of CENVAT credit and including acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- ii) Depreciation is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### **Investments:**

Investments are classified into current investments and long term investments. Current investments are carried at lower of cost or fair market value. Any deduction in carrying amount and any reversals of such reductions are charged or credited to Profit & Loss account. Long term investments are carried at cost less provisions made to recognize any decline, other than temporary, in the value of such investments.

#### **Inventories:**

All inventories are valued at cost or net realizable value whichever is less.

#### **BIFR Creditors:**

The company has not received any claim during the year from BIFR Creditors. Claims for Rs 12.07 lakhs are to be received from parties. (Previous year Rs 12.07 lakhs).

#### **Sundry Debtors and Loans & Advances:**

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

#### **Miscellaneous Expenditure:**

One- tenth of the Miscellaneous Expenditure is charged to revenue every year.

#### **Foreign Currency Transactions:**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

#### **Government Grants/incentives:**

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans.

#### **Retirement Benefits:**

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the assumption that such benefits are payable to all employees at the end of the accounting period.

#### **Income Tax:**

Income tax for the year comprises current and deferred tax.

Provision for income tax is made on the basis of estimated taxable income. The Company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.



## Schedule 23 : Notes to Accounts

1. Sundry Debtors, Loans and advances and sundry creditors are subject to confirmation by parties.

### 2. Secured Loans

Cash Credit Account with State Bank of India is secured by hypothecation of stocks of raw materials, stock in process, finished goods, stores and Book debts and further secured by first charge on the fixed assets of the company and by personal guarantee of Mr L.P.Sashikumar and Corporate guarantees of Goldstone Technologies Ltd and Goldstone Teleservices Ltd and Goldstone Exports Ltd.

### 4. Prior Period Adjustments

Prior period adjustments of Rs 8,18,271/- shown in the Profit & Loss account is the net amount of the expenditure and incomes pertaining to earlier years including Rs. 751512/- towards short provision made for income tax, Rs. 66607/- towards short provision made for dividend tax, Rs. 1150/- short provision made for Sales Tax and Rs. 998/- on account of reversal of cheque issued for non presentation.

### 5. Deferred Tax Liability

Deferred Tax asset or liability is recognized for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

### 6. Retirement Benefits

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.

7. Previous Year figures have been regrouped/ recast/rearranged wherever necessary.

### 8. Contingent Liabilities

Rs in lakhs

	As at	As at
	31.03.03	31.03.02

1. Contingent Liabilities :

Bank Guarantees issued by State Bank of India towards Performance Guarantees on behalf of the Company	140.41	247.33
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2. Estimated amount of contracts to be executed on Capital Account and not provided for	4.75	4.75
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3. The Central Excise authorities have, vide Show Cause Notice dt. 29.10.2002 proposed a demand of Rs. 16,11,006/- towards duty difference payable in respect of clearance of Heat Shrinkable Sleeves during the years from 1997-98 to 1999-2000. The same has been contested by the Company. Accordingly no provision for the same is made in the accounts.



# Newtech Stewing Telecom Limited

## Schedules Forming Part of the Accounts

		For the year ended <b>31.03.2003</b>	For the period ended 31.03.2002
<b>Schedule : 23 (Contd..)</b>			
<b>ADDITIONAL INFORMATION REQUIRED AS PER PARA 3 &amp; 4 OF PART II</b>			
Licensed & Installed Capacities			
Licensed capacity	(Nos)		
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	<b>500,000</b>	500,000
Installed Capacity	(Nos)		
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	<b>400,000</b>	400,000
Production			
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	<b>14,364</b>	111,948
Purchase of Components & Rawmaterials	Value (Rs.)	<b>8,836,691</b>	14,805,616
Production of Cable Jointing Kits	(Nos)	<b>26,448</b>	110,335
Turnover			
– Sales of kits	(Nos)	<b>26,448</b>	110,335
	Value (Rs.)	<b>12,212,121</b>	58,326,976
– Sales of others	Value (Rs.)	<b>12,212,121</b>	<b>58,326,976</b>
Opening & Closing Stocks			
<b>Opening Stock</b>			
– Manufactured Sleeves	(Nos)	<b>31,590</b>	29,977
	Value (Rs.)	<b>1,299,674</b>	1,674,859
– Work in process	Value (Rs.)	<b>1,578,103</b>	1,923,162
– Purchased Components & Rawmaterials	Value (Rs.)	<b>2,905,303</b>	26,717,443
	<b>Total</b>	<b><u>5,783,080</u></b>	<b><u>30,315,464</u></b>
<b>Closing Stock</b>			
– Manufactured Sleeves	(Nos)	<b>19,506</b>	31,590
	Value (Rs.)	<b>1,268,248</b>	1,299,674
– Work in process	Value (Rs.)	<b>5,035,776</b>	1,578,103
– Purchased Components & Rawmaterials	Value (Rs.)	<b>5,580,256</b>	2,905,303
	<b>Total</b>	<b><u>11,884,280</u></b>	<b><u>5,783,080</u></b>



## Newtech Stewing Telecom Limited

### Schedules Forming Part of the Accounts

		For the year ended 31.03.2003	For the period ended 31.03.2002
<b>Schedule : 23 (Contd..)</b>			
Raw Materials Consumption			
– Hotmelt Adhesive	Kgs	2,920	18,284
	Value (Rs.)	503,826	4,169,009
– Granules	Kgs	10,000	18,000
	Value (Rs.)	739,541	1,470,090
– Film Rolls	Nos	—	—
	Value (Rs.)	—	—
– Others	Value (Rs.)	4,918,371	32,978,657
	<b>Total</b>	<b>6,161,738</b>	<b>38,617,756</b>
Consumption of Imported & Indegenous Materials			
– Imported Materials	Value (Rs.)	1,243,367	5,639,099
	%	20.18	14.60
– Indegenous Materials	Value (Rs.)	4,918,371	32,978,657
	%	79.82	85.40
<b>Total</b>	Value (Rs.)	<b>6,161,738</b>	<b>38,617,756</b>
	%	<b>100</b>	<b>100</b>
Foreign Exchange Transactions			
Value of Imports on CIF Basis			
– Raw materials	Value (Rs.)	1,121,815	4,412,030
Auditors's Remuneration			
– Audit Fee	(Rs.)	75,000	75,000
		<b>75,000</b>	<b>75,000</b>

As per our report of even date  
For **Srinivas P & Associates**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**P.Srinivas**  
Partner

Sd/-  
**L.P.Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director



# Shree Shree Telecom Private Limited

## Directors' Report

To  
The Members  
Shree Shree Telecom Private Limited

Your Directors have pleasure in presenting the Third Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2003.

### Financial Results

Particulars	Rs in Lakhs	
	2002-03	2001-02
Net Sales/Income from Operations	10.16	256.40
Other Income	2.61	2.50
Total Income	12.77	241.97
Operating Profit/Loss (PBIDT)	(1.52)	16.98
Interest	2.53	2.95
Depreciation and Write Offs	1.19	0.89
Profit Before Tax	(5.24)	13.09
Provision for Tax		
– Current	–	5.84
– Deferred	0.85	3.26
Profit after Tax	(6.09)	3.99
Equity Share Capital	190.00	190.00
Tangible Net Worth	201.10	206.32

### Fixed deposits

Your Company has not accepted any Fixed Deposits.

### Auditors

The Statutory Auditors M/s. Boppudi & Associates Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing 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.

### 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 year ended 31st March 2003, 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 31st March 2003 and 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 year ended 31st March 2003 have been prepared on a going concern basis.

**Secretarial Compliance Report as per Section 383(A) has been obtained from Puttaparthi Jagannatham & Co.,**

**Conservation of energy / technology absorption, foreign exchange earnings and outgoings as per Section 217(1) (e)**

- Though the manufacturing process is not power intensive, continuous efforts are made to ensure conservation of energy
- (b to d) There are no particulars required to be mentioned.

### Particulars of Employees as per Section 217(2A)

There are no employees covered under this Section

### Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh and State Bank of India, Employees for their support and guidance.

For and on behalf of the Board

Place : Secunderabad  
Date : 30.06.2003

Sd/-  
**J A Rao**  
Director



## Auditors' Report

To  
The Shareholders of  
Shree Shree Telecom Private Limited

1. We have audited the attached Balance Sheet of Shree Shree Telecom Private Limited as at 31st March 2003 and the Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as on March 31,2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31,2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
  - ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **Boppudi & Associates**  
Chartered Accountants

Place: Secunderabad  
Date : 30.06.2003

Sd/-  
**B.Apparao**  
Proprietor





## Annexure to Auditors' Report

(Referred to in paragraph 1 of our Report of even date on the accounts of Shree Shree Telecom Private Limited as at 31st March 2003)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the period.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the period, as informed by the management.
4. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
5. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
6. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
8. The company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
9. In the absence of specific terms and conditions in respect of loans/advances in the nature of loans given by the company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of

sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000/- (Rupees fifty thousand only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.

12. We are informed by the management that there were no damaged stores or unserviceable stocks as at the date of the balance sheet.
13. The Company has not accepted any deposits from the public during the period under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2003 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
20. The Company is not a sick industrial company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Boppudi & Associates**  
Chartered Accountants

Sd/-

**B.Apparao**  
Proprietor

Place: Secunderabad  
Date : 30.06.2003



## Shree Shree Telecom Private Limited

### Balance Sheet as at 31st March, 2003

	Sch. No.	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:</b>			
Share Capital	1	<b>19,000,000</b>	19,000,000
Reserves and Surplus	2	<b>1,126,670</b>	1,651,842
<b>Total</b>		<b><u>20,126,670</u></b>	<b><u>20,651,842</u></b>
<b>Total Sources</b>		<b><u>20,126,670</u></b>	<b><u>20,651,842</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	3	<b>2,454,697</b>	2,454,697
Less : Depreciation		<b>289,190</b>	172,592
Net Block		<b><u>2,165,507</u></b>	<b><u>2,282,105</u></b>
<b>INVESTMENTS</b>	4	<b>20,260,000</b>	17,160,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	5	<b>553,559</b>	513,602
Sundry Debtors	6	<b>79,227</b>	1,343,027
Cash and Bank Balance	7	<b>5,163,538</b>	4,763,365
Loans and Advances	8	<b>1,763,116</b>	1,921,086
<b>Total</b>		<b><u>7,559,440</u></b>	<b><u>8,541,080</u></b>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current liabilities	9	<b>8,879,732</b>	6,090,925
Provisions	10	<b>583,707</b>	933,707
<b>Total</b>		<b><u>9,463,439</u></b>	<b><u>7,024,632</u></b>
<b>Net Current Assets</b>		<b>(1,903,999)</b>	<b>1,516,448</b>
<b>Miscellaneous Expenditure</b>	11	<b>17,117</b>	19,561
<b>Deferred Tax Assets / (Liabilities)</b>		<b>(411,955)</b>	(326,272)
<b>Total</b>		<b><u>20,126,670</u></b>	<b><u>20,651,842</u></b>
Accounting policies	19		
Notes on Accounts	20		

per our report attached  
for **Boppudi & Associates**  
Chartered Accountants

on behalf of the board

Sd/-  
**B.Apparao**  
Proprietor

Sd/-  
**L P Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



## Shree Shree Telecom Private Limited

### Profit and Loss Account for the Period Ended 31st March, 2003

	Sch.No.	For the Year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>INCOME</b>			
Sales	12	<b>1,016,000</b>	25,639,818
Other Income	13	<b>260,596</b>	250,213
<b>Total</b>		<b><u>1,276,596</u></b>	<b><u>25,890,031</u></b>
<b>EXPENDITURE</b>			
Material Cost	14	<b>292,119</b>	16,065,405
Excise Duty		<b>22,112</b>	645,681
Personnel Expenditure	15	<b>5,642</b>	1,343,221
Other Manufacturing Costs	16	<b>58,537</b>	1,440,478
Administrative and Selling Expenses	17	<b>1,049,938</b>	4,701,995
Financial Expenses	18	<b>253,277</b>	295,054
Depreciation		<b>116,598</b>	87,449
Miscellaneous Expenses Written off		<b>2,444</b>	1,833
<b>Total</b>		<b><u>1,800,667</u></b>	<b><u>24,581,116</u></b>
Profit / (Loss) before Taxation		<b>(524,071)</b>	1,308,915
Provision for taxation			
– Current		—	583,707
– Deferred		<b>85,683</b>	326,272
Profit / (Loss) after tax for the year		<b>(609,754)</b>	398,936
Prior period adjustments (+)		<b>84,582</b>	1,008
		<b>(525,172)</b>	399,944
Profit brought forward from the previous period		<b>1,651,842</b>	1,251,898
Profit Transferred to Balance Sheet		<b><u>1,126,670</u></b>	<b><u>1,651,842</u></b>
Accounting policies	19		
Notes on Accounts	20		

per our report attached  
for **Boppudi & Associates**  
Chartered Accountants

on behalf of the board

Sd/-  
**B.Apparao**  
Proprietor

Sd/-  
**L P Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



# Shree Shree Telecom Private Limited

## Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>1: SHARE CAPITAL</b>		
Authorised:		
1,50,000 Equity Shares of Rs. 10/- each	<u>1,500,000</u>	<u>1,500,000</u>
Issued, Subscribed and Paid up:		
1,50,000 Equity Shares of Rs. 10/- each fully paid up	<u>1,500,000</u>	<u>1,500,000</u>
Share application money received	<u>17,500,000</u>	<u>17,500,000</u>
<b>Total</b>	<b><u>19,000,000</u></b>	<b><u>19,000,000</u></b>
<b>2: RESERVES AND SURPLUS</b>		
Surplus:		
Opening Balance	1,651,842	1,251,898
Add : Balance transfer from the Profit and Loss A/c	<u>(525,172)</u>	<u>399,944</u>
Balance	<u>1,126,670</u>	<u>1,651,842</u>
<b>Total</b>	<b><u>1,126,670</u></b>	<b><u>1,651,842</u></b>
<b>4: INVESTMENTS</b>		
<b>Trade (Quoted, Long-term)</b>		
G R Cables Ltd Shares 18,43,333 Nos. @ 10/- each fully paid up (Market Value as at 31.03.03 @ Rs. 2.65 per share - Rs. 48,84,832/-)	<u>20,260,000</u>	<u>17,160,000</u>
	<b><u>20,260,000</u></b>	<b><u>17,160,000</u></b>
<b>5: INVENTORIES</b> <b>(As Certified by the Management)</b>		
Components and Packing Materials (at cost)	69,521	162,235
Raw materials (at cost)	—	—
Work-in-process- Sleeves (at cost)	<u>484,038</u>	<u>351,367</u>
<b>Total</b>	<b><u>553,559</u></b>	<b><u>513,602</u></b>

### 3: FIXED ASSETS

Amount in Rs.

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2002	Additions during the year	Deductions during the period	As on 31.03.2003	Upto 01.04.2002	For the year	Deductions during the year	As on 31.03.2003	As on 31.03.2003	As on 30.06.202
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Electrical Equipment	89988	—	—	89988	6403	4274	—	10677	79311	83585
Electrical Installation	22853	—	—	22853	1626	1086	—	2712	20141	21227
Plant & Machinery	2223475	—	—	2223475	156165	105615	—	261780	1961695	2067310
Lab tools and Equipment	118381	—	—	118381	8397	5623	—	14020	104361	109984
<b>Total</b>	2454697	—	—	2454697	172591	116598	—	289189	2165508	2282106
Previous period	2689937	—	235240	2454697	289562	87448	204419	172591	2282106	2400375



## Shree Shree Telecom Private Limited

### Schedules Forming Part of the Accounts

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
<b>6: SUNDRY DEBTORS</b> (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	—	—
Other Debts	79,227	1,343,027
<b>Total</b>	<u>79,227</u>	<u>1,343,027</u>
<b>7: CASH &amp; BANK BALANCES</b>		
Balances with Scheduled Banks:		
– In Current Accounts	383,154	137,698
– In Fixed Deposits against Bank Guarantees	4,780,384	4,625,667
<b>Total</b>	<u>5,163,538</u>	<u>4,763,365</u>
<b>8: LOANS &amp; ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	1,040,241	1,040,241
Advance to suppliers	982	1,582
Balance with Govt. bodies	11,662	7,522
Deposits	109,000	109,000
Advance Tax	601,231	762,741
<b>Total</b>	<u>1,763,116</u>	<u>1,921,086</u>
<b>9: CURRENT LIABILITIES</b>		
Sundry Creditors		
Dues to Small Scale Industrial undertakings	-	153,729
Others	3,380	3,862,670
Statutory Liabilities	8,230	26,409
Other liabilities	88,68,122	2,048,117
<b>Total</b>	<u>8,879,732</u>	<u>6,090,925</u>
<b>10: PROVISIONS</b>		
Provision for Taxation	583,707	933,707
<b>Total</b>	<u>583,707</u>	<u>933,707</u>
<b>11: MISCELLANEOUS EXPENDITURE</b>		
Preliminary Expenditure	19,561	
Less : Written Off During the year	<u>2,444</u>	19,561
<b>Total</b>	<u>17,117</u>	<u>19,561</u>
<b>12: SALES</b>		
- Domestic	1,016,000	25,639,818
<b>Total</b>	<u>1,016,000</u>	<u>25,639,818</u>
<b>13: OTHER INCOME</b>		
Interest on Fixed Deposits	173,168	250,213
Interest earned	15,063	—
Insurance Claims	72,365	—
<b>Total</b>	<u>260,596</u>	<u>250,213</u>



## Shree Shree Telecom Private Limited

### Schedules Forming Part of the Accounts

	For the year ended 31.03.2003 Rs.	For the period ended 31.03.2002 Rs.
<b>14: MATERIAL COST</b>		
Opening Stock	513,602	1,339,887
Purchases:		
- Raw materials	74,267	2,104,696
- Kit Components	226,494	11,723,118
- Packing Materials	31,115	899,411
Other Purchase costs	200	511,895
	845,678	16,579,007
Less: Closing Stock	553,559	513,602
<b>Total</b>	<b>292,119</b>	<b>16,065,405</b>
<b>15: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	2,184	992,697
Staff Welfare	3,458	350,524
<b>Total</b>	<b>5,642</b>	<b>1,343,221</b>
<b>16: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	40,433	298,067
Consumables	978	540
Repairs and Maintenance		
- Plant and Machinery	—	476,629
- Buildings	—	1,571
- Others	9,656	638,267
Testing and Inspection Charges	7,470	25,404
<b>Total</b>	<b>58,537</b>	<b>1,440,478</b>
<b>17: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Advertisement	—	33,176
Electricity Charges- office	—	45,862
Rent	240,000	240,066
Legal Fees	—	33,355
Printing and Stationery	24,844	42,625
Tender Expenses	37,177	35,172
Postage ,Telephones and Internet	5,865	181,543
Insurance	1,747	118,880
Professional and Consultancy	507,300	992,269
Fees, Rates and Taxes	11,928	11,294
Gifts and Donations	—	51,677
Vehicle Maintenance	—	308,121
Travelling Expenses	—	198,776
Conveyance	—	261,735
Carriage Outward	13,000	419,872
Sales Tax	39,077	968,266
Auditors Remuneration	20,000	20,000
Business Promotion	1,128	300,176
Office Maintenance	—	144,632
Miscellaneous Expenses	63,603	199,482
Security Charges	84,269	95,016
<b>Total</b>	<b>1,049,938</b>	<b>4,701,995</b>
<b>18: FINANCIAL EXPENSES</b>		
Bank Charges	30,844	89,176
Bank Commission	222,433	205,878
<b>Total</b>	<b>253,277</b>	<b>295,054</b>



## Schedules Forming Part of the Accounts

### 19. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation of Financial Statements:**

The Financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act 1956, as adopted consistently by the company.

#### **Revenue recognition:**

- i) All incomes and expenditure are accounted on accrual basis.
- ii) Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
- iii) Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance.

#### **Fixed Assets:**

- i) Fixed Assets are stated at cost, net of CENVAT credit and including acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- ii) Depreciation is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### **Inventories:**

All inventories are valued at cost or net realizable value whichever is less.

#### **Foreign Currency Transactions During the year: Nil**

#### **CENVAT CREDIT**

Excise duty paid on inputs and capital goods is debited to a separate account. This account is credited as and when CENVAT credit is actually utilised against payment of excise duty on final products. Balance in CENVAT is shown on the assets side of Balance Sheet under current assets.

#### **Miscellaneous Expenditure:**

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.

#### **Income Tax**

Provision for income tax is made on the basis of estimated taxable income.

### 20. NOTES FORMING PART OF ACCOUNTS

1. Sundry Debtors, Loans and advances and sundry creditors are subject to confirmation by parties.
2. All the employees are on deputation from the holding company viz., Goldstone Teleservices Ltd. The employee cost incurred by the holding company was reimbursed and Shown under Salaries and Wages.
3. Interest earned on the company's fixed deposits against Bank guarantees with scheduled banks is accounted on accrual basis. During the year, the company earned interest of Rs. 173168/- (Previous period Rs. 250213) which has been included in the Profit & Loss account.
4. The accumulated net deferred tax liability as per Accounting Standard 22 arising on account of timing difference as on 1.4.2003 amounting to Rs. 85,683/- (Previous period Rs 1,24,749/-) has been debited to Profit & Loss Account.
5. There are no outstanding overdues to SSI undertakings and /or ancillary industrial suppliers on account of principal and/or interest at the close of the year. This disclosure is based on the documents / information available with the company.
6. Previous year figures have been regrouped/ rearranged wherever necessary.
7. **Contingent Liabilities**

Bank guarantees issued by bank towards Bid/Performance guarantees Rs 68,71,060 (Previous Year Rs 49,87,075).

As per our report of even date  
for **Boppudi & Associates**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**B.Apparao**  
Proprietor

Sd/-  
**L P Sashikumar**  
Director

Sd/-  
**J.A.Rao**  
Director

Place : Secunderabad  
Date : 30.06.2003



# Shree Shree Telecom Private Limited

## Schedules Forming Part of the Accounts

		For the Year ended 31.03.2003	For the Period ended 31.03.2002
<b>Schedule 20 : Continued</b>			
<b>ADDITIONAL INFORMATION REQUIRED</b>			
<b>AS PER PARA 3 &amp; 4 OF PART II OF</b>			
<b>SCHEDULE VI TO THE COMPANIES ACT, 1956</b>			
Licensed & Installed Capacities: HS Sleeves		<b>400,000</b>	400,000
Production	(Nos)		
– Heat Shrinkable Sleeves	(Nos)	<b>3,170</b>	61,105
for Telecom Cable Jointing Kits	(Nos)		
Purchase of Components & Raw materials	Value (Rs.)	<b>332,076</b>	15,239,120
Production of Cable Jointing Kits	(Nos)	<b>3,175</b>	61,215
Turnover			
– Jointing kits	(Nos)	<b>3175</b>	61,215
	Value (Rs.)	<b>1,016,000</b>	25,639,818
<b>Opening Stocks</b>			
– Manufactured Sleeves	(Nos)	<b>29</b>	139
	Value (Rs.)	<b>1,871</b>	10,049
– Work in Progress	Value (Rs.)	<b>162,235</b>	—
– Components & Raw materials	Value (Rs.)	<b>349,497</b>	1,329,838
<b>Closing Stock</b>			
– Manufactured Sleeves	(Nos)	<b>24</b>	29
	Value (Rs.)	<b>2,382</b>	1,871
– Work in Progress	Value (Rs.)	<b>481,656</b>	162,235
– Components & Raw materials	Value (Rs.)	<b>69,521</b>	349,497
		<u><b>553,559</b></u>	<u><b>513,603</b></u>
<b>Raw Materials Consumed</b>			
– Hotmelt Adhesive	Kgs	<b>250</b>	6,500
	Value (Rs.)	<b>47,347</b>	1,193,938
– Profile	Kgs	<b>300</b>	8,885
	Value (Rs.)	<b>26,920</b>	1,600,986
– Others	Value (Rs.)	<b>217,852</b>	13,270,481
		<u><b>292,119</b></u>	<u><b>16,065,405</b></u>
<b>Consumption of Imported &amp; Indigenous Materials</b>			
– Imported Materials	Value (Rs.)	<b>47,347</b>	1,193,938
	%	<b>16.21%</b>	7.43%
– Indigenous Materials	Value (Rs.)	<b>244,772</b>	14,871,467
	%	<b>83.79%</b>	92.57%
– Total	Value (Rs.)	<u><b>292,119</b></u>	<u><b>16,065,405</b></u>
	%	<b>100%</b>	100%
<b>Auditors' Remuneration</b>			
Audit Fee		<b>12,500</b>	12,500
Taxation Matters		<b>7,500</b>	7,500
		<u><b>20,000</b></u>	<u><b>20,000</b></u>

As per our report attached  
for **Boppudi & Associates**  
Chartered Accountants

On behalf of the Board

Sd/-

**B.Apparao**

Proprietor

Place : Secunderabad

Date : 30th June 2003

Sd/-

**L P Sashikumar**

Director

Sd/-

**J.A.Rao**

Director