

Notice

Notice is hereby given that the Fourth Annual General Meeting of the Members of the Company will be held on Thursday, the 30th day of September, 2004 at 11.30 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 Balance Sheet as at 31st March 2004 and Profit and Loss Account for the year ended as on the date along with Directors Report and Auditors Report thereon.
2. To appoint a Director in place of Dr. M.V.S.R Kamesam, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. L.P Sashikumar, 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, retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board”.

SPECIAL BUSINESS

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

“Resolved that Mr. Mahesh Prasad Mehrotra,

who was appointed as Additional Director of the company during the year be and is hereby appointed as Director of the Company liable to retire by rotation”.

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

“RESOLVED that subject to the provisions of Securities and Exchange Board of India Guidelines, the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulations) Act, 1956, and the rules framed there under, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the ‘Board’, which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution), the Consent of the Company be and is hereby accorded to the Board of Directors of the Company to de-list the Equity Shares of the Company from the Stock Exchanges located at Hyderabad (Regional Stock Exchange), Ahmedabad, Madras, New Delhi.”

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

“RESOLVED that pursuant to the Provisions of Section 17 and other applicable provisions if any of the companies Act, 1956, consent of the company be and is hereby accorded for amendment of Clause III B i.e. Object incidental or Ancillary to the attainment of Main Objects by insertion of the following new sub-clause 14A after the existing sub-clause 14 of Clause III B of the Memorandum of Association of the company.”

“14A: In relation with the business of the Company to guarantee or extend the corporate guarantee in relation to the payment of money secured or unsecured by or payable under or in respect of promissory notes, bonds, debentures, debentures stocks, contracts, mortgages, charges, obligations, instruments and securities of any or any authority supreme, municipal, local or otherwise, or of any person however,

whether incorporated or not incorporated and generally to guarantee or become sureties for the performance of any contracts or obligations.

For and on behalf of the Board

Place : Secunderabad
Date : 30th July 2004

Sd/-
L P Sashikumar
Managing Director

Notes:

- a) The Explanatory Statement relating to Special Business of the Meeting is annexed to this Notice as required by Section 173 of the Companies Act, 1956.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 28th September 2004 to Thursday, 30th September 2004 (both days inclusive) for the purpose of Annual General Meeting.
- d) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- e) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.

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

Mahita Caddell

Mrs. Mahita Caddell is a Director of Goldstone Technologies Limited. She is a MS (International Business Administration and Information Systems) Graduate from the University of North Carolina, USA and has 5 years of experience in industry and business.

Mahesh Prasad Mehrotra

Mr. Mahesh Prasad Mehrotra aged 63 years is a Practicing Chartered Accountant having 42 years of experience and he is founder partner of Mehrotra and Mehrotra, Chartered Accountants, Kanpur and Delhi. He is member, Task Force for MOUs, Ministry of Heavy Industries and Public Enterprises, Government of India, Department of Public Enterprises, for the year 2004-2005. He has been associated as Director / Trustee in Public / Private Limited companies and Trusts.

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

Item 5 & 6

Mrs. Mahita Cadell and Mr. Mahesh Prasad Mehrotra were appointed as Additional Directors of the Company in the Board Meeting held on 29th May 2004 and hold office till the conclusion of the ensuing Annual General Meeting.

Notice(s) pursuant to the provisions of Section 257 of the Companies Act, 1956, together with the requisite deposit have been received from the members proposing their 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 Mrs. Mahita Cadell and Mr. Mahesh Prasad Mehrotra, for their respective appointment as Director, is in anyway concerned or interested in this resolution.

Item 7

Presently the Company's securities are listed at the Six Exchanges namely, Hyderabad Stock Exchange Limited (HSE)-Regional Stock Exchange; National Stock Exchange of India Limited (NSE); Stock Exchange Mumbai (BSE); Madras Stock Exchange Limited (MSE); Delhi Stock Exchange Association Limited (DSE) and Stock Exchange Ahmedabad (ASE).

With the extensive networking of BSE and NSE and the extension of BSE/NSE terminals to other cities as well, investors have access to trade and deal in the Company's securities across the country. After the commencement of Electronic Trading, the Shares of the Company are not frequently traded on Hyderabad, Delhi, Ahmedabad and Madras Stock Exchanges. Hence it is proposed to De-list the securities of the Company from these four exchanges. This is proposed to reduce the regulatory formalities in complying the Listing Agreements of different Stock Exchanges and duplication of work of the Company. Besides there will be substantial saving in the cost to the Company.

The proposed de-listing of the Company's securities from the above four exchanges, as and when the same takes place, will not adversely affect the investors. The Company's securities will continue to be listed on BSE and NSE. The de-listing will take effect after all approvals; permissions and sanctions are received from the appropriate authorities

In line with the SEBI (De-listing of Securities) Guidelines 2003, members' approval is being sought by way of Special Resolution for enabling voluntary de-listing of its securities from the Stock Exchanges and hence this resolution.

Your directors recommend the resolution for your approval

None of the Directors of the Company are in any way concerned or interested in the resolution.

Item 8

During the course of business, the Company is required to associate with many Companies including group Companies. At times for effective operational convenience the Company need to extend the Corporate Guarantee to its associated or group Companies. For the purpose Memorandum of Association of the Company must contain a clause to extend the corporate guarantees. According to Section 17 of the Companies Act, 1956, any amendment to Memorandum of Association requires the approval of shareholders in the general meeting and hence this resolution.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

For and on behalf of the Board

Place : Secunderabad
Date : 30th July 2004

Sd/-
L P Sashikumar
Managing Director

Directors' Report

To
The Members
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Fourth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2004.

Financial Results

	Rs in Lakhs	
Particulars	2003-04	2002-03
Net Sales/Income from Operations	1376.00	1301.23
Other Income	45.47	69.77
Total Income	1421.47	1371.00
Operating Profit (PBIDT)	350.67	329.39
Interest	113.32	51.88
Depreciation and Write Offs	213.45	124.33
Profit Before Tax	23.90	153.18
Provision for taxation		
– Current	0.00	20.00
–Deferred	0.00	10.86
Profit after Tax	23.90	122.32
Extra-Ordinary Items		
- Prior period adjustments	12.41	0.07
Net Profit	11.49	122.25
Equity Share Capital (1,36,65,150 Shares of Rs 4/- each; Current year)	546.61	546.61
E.P.S	0.08	0.90
Net Worth	2933.46	3074.70
Book Value (face Value of Rs. 4/- each)	21.47	22.50

Review of Operations

Telecom Division: During the year Telecom Division has registered a Turnover of Rs.3.50 Crores as against the previous year Turnover of Rs. 9.53 Crores. The Telecom Sector over the years has been evolving and new technologies have been embraced leading to lesser demand for Telecom Cable Jointing Kits. Consequently the turnover of Telecom Division is on the decline.

Insulator Division:

Realising the decline in demand for cable jointing

kits in Telecom Sector, the Company has identified energy sector as growth area and accordingly Composite Insulators have been produced for Railway Traction and Power Sector as a Cost-effective option to age old ceramics.

Because of lightweight compared with ceramics, the transportation and installation costs are less in respect of Composite Insulators. Low surface energy and inherently hydrophobic surface gives Superior Contamination Performance, preventing water filming and suppressing leakage current development. Vandalism resistance of Composite Insulators result in less maintenance and replacement costs, composite insulators apart from having the above advantages have longer life because of discharge free end design.

The company believes that soon all age old ceramics will be replaced by composite insulators and accordingly a R&D project has been undertaken in the GOI approved R&D laboratory to develop and manufacture extra high voltage insulators in 132, 220 and 400 Kv for power utilities and final products are expected to be ready for commercial scaling up by April 2005. The Company believes that the new range in extra high voltage can open up fresh business opportunities from power utilities.

The turnover registered during the year under review was Rs. 1.65 crores and the orders on hand for composite insulators is over Rs. 11 crores and they will be supplied during 2004-05.

BPO Division:-

In view of the business constraints arising out Federal Regulation of USA relating to out bound calls, the company sensing the emerging opportunities in BPO has transferred the Call centre activity into a BPO activity meaning focus was given to inbound calls in the form of technical support outsourcing, back office management etc;

The shift in focus at the Call Center division has resulted in positive cash flows and the impact will be felt more in the next fiscal. The turnover registered at BPO Division was Rs. 8.61 Crores and the company expects to improve the volumes significantly as business process outsourcing

opportunities visit India in bigger number.

Future Outlook:-

Considering the fact that Silicon Composite insulators produced by the Company for the first time in the country as a replacement of age old ceramics have gained acceptability in Railways and Power sector. Efforts will now be made to improve the volumes significantly by being close to all state owned power utilities.

Also extra high voltage insulators currently under test production (in 132 Kv, 220 Kv and 400 Kv) will have bigger business opportunities because they will substitute the cheaper and less quality imports from China etc;

The Company being in Energy Sector with Composite Insulators is now planning to introduce prepaid power meters as a part of total electricity management system and these meters are expected to ensure transparency in billing, freedom from errors in billing and advance revenue collection to power utilities.

BPO will continue to be the main stay at BPO Division in that the future is for technical support outsourcing, back office management, insurance policy administration, hospital bills and coding systems and as domain knowledge is the key to

success in BPO. The company will assemble the best human talent for providing domain knowledge in the above listed business areas.

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. 202.72 lakhs as against Rs. 129.97 lakhs for the previous year i.e., 2002-03. NSTL posted a Net Loss of Rs.21.33 lakhs as against Net loss of Rs. 2.23 lakhs for the previous year i.e., 2002-03.

Shree Shree Telecom Private Limited

SSTL posted a total Income of Rs. 41.92 lakhs as against Rs. 12.77 lakhs for the previous year i.e. 2002-03. The Net Loss is Rs. 27.54 lakhs as against loss of Rs. 5.25 lakhs for the previous year i.e., 2002-03.

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

Combined results

Rs in lakhs

Particulars	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Year	03-04	02-03	03-04	02-03	03-04	02-03	03-04	02-03
Sales	1376.00	1301.23	200.71	122.12	41.33	10.16	1618.04	1433.51
Other Income	45.47	69.77	2.01	7.85	0.59	2.61	48.07	80.23
Total	1421.47	1371.01	202.72	129.97	41.92	12.77	1666.11	1513.75
PBIDT	350.68	329.33	1.26	30.51	(24.82)	(1.52)	327.12	358.32
PBT	23.91	153.11	(18.93)	10.94	(27.27)	(5.24)	(22.29)	158.81

Dividend

Your Directors regret their inability to recommend any Dividend for the year under consideration

Fixed deposits

The Company has not accepted any Fixed Deposits,

falling 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

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

Directors

Mr. L P Sashikumar and Dr M V S R Kamesam retire by rotation and being eligible offer themselves for re-appointment. Mr. M.P. Mehrotra and Ms. Mahitha Caddell who were appointed as Additional Director of the Company are proposed for appointment as Director(s) of the Company liable to retire by rotation. Dr. K.K. Krishnan Kutty, Mr. P. Ramesh Babu, Mr. K. Vasudeva Rao and Mr. J.A. Rao have resigned as Directors of the Company. The Board places on record their appreciation for the valuable services rendered by them during their tenure as Directors.

Stock Exchange Listing

The Equity Shares of the Company are listed on the National Stock Exchange, Mumbai Stock Exchange, Hyderabad Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange and Delhi Stock Exchanges. The company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2003-2004. The company proposes to de-list the equity shares of the company from Hyderabad, Madras, Ahmedabad and Delhi Stock Exchanges. The justification for the same has been furnished in the Notice of the Annual General Meeting.

Director's Responsibility Statement

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

- (a) That in the preparation of the Accounts for the twelve months period ending 31st March 2004, 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 2004 and of the profit of the Company for the year ended on that date.

- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) That the accounts for the year ended 31st March 2004 have been prepared on a going concern basis.

Corporate Governance

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

Balance Sheet Abstract and Company's General Business Profile

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

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

Disclosure of particulars in respect of conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under companies (Disclosure of particulars in the Directors Report) Rules 1988.

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken or under implementation

Continuous running of the sleeve manufacturing plant

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

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

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

The measures taken during the year has ensured optimum use of energy and increased production.

d. Consumption of Energy Particulars.

2003-04

I. POWER AND FUEL CONSUMPTION

1. Electricity

a. Purchased

Units – KWH	506388
Total Amount	2370624
Rate/Unit –Rs.	4.68

b. Own Generation

Through Diesel Generator	
Units – KWH	32102
Total Amount	3.45
Rate/Unit –Rs.	6.83

II. CONSUMPTION PER UNIT OF PRODUCTION STANDARD

Electricity (KWH/Nos of Sleeves)	2.57
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B. TECHNOLOGY ABSORPTION: Research and Development

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

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

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

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

3. Future Plan of Action

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

4. Expenditure on R & D : Rs. 13.61 lakhs

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign Exchange Transactions:

(Amount in Rs. Lakhs)

	2003-04	2002-03
i) Value of Imports on CIF basis		
- Raw Materials	61.12	98.80
- Capital Goods	91.47	519.10
- Tools & Spares	0.43	1.27
ii) Expenditure in Foreign Currency		
- Traveling Expenses	230.61	78.18
iii) Earnings in Foreign currency (on receipt basis)		
- Export of Goods (FOB Basis)	163.31	48.93

Particulars of Employees

None of the Employees are drawing remuneration prescribed in Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988.

Acknowledgements

Your Directors convey their sincere thanks to 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/-
Dr. M.V.S.R Kamesam
Director

Place : Secunderabad
Date : 30th July, 2004.

Corporate Governance Report

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

The Company envisages the attainment of highest level of transparency in all facets 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 high standards in all its endeavors.

2. Board of Directors:

The Board of Directors of the Company consists of 4 directors. Three of them are Non-Executive independent Directors and other one is Executive Promoter Director of the Company. The Board has taken all the necessary steps to strengthen the Board with optimum combination of Executive and Non-Executive independent Directors. In consonance with the amended Listing Agreement, the Board comprises of majority of independent directors.

Five Board Meetings were held during the financial year 2003 - 2004 on the following dates:

30th June 2003; 25th July 2003; 31st July 2003; 31st October 2003; 30th January 2004;

The details of attendance at the Board Meetings, 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	5	4	3	1	Yes
Mr. L.P. Sashi Kumar	M.D.	5	5	3	8	Yes
*Mr. J.A. Rao	Non-E.D	5	5	4	4	Yes
*Mr. K. Vasudeva Rao	Non-E.D	5	4	Nil	1	No
*Mr. P. Ramesh Babu	Non- E.D	5	5	Nil	8	No
Dr. M.V.S.R. Kamesam	Non-E.D	5	4	Nil	Nil	Yes
**Ms. Mahitha Cadell	Non-E.D	5	Nil*	Nil	2	NA
**Mr. M.P. Mehorotra	Non-E.D	5	Nil*	Nil	11	AA

* They have resigned as Directors of the Company .

** They have been appointed as Directors of the company.

* Leave of Absence was granted.

3. Audit Committee:

As on 31st March 2004 the Audit Committee Comprised of Sri. J.A. Rao as Chairman, Sri K.K. Krishnan 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 Meetings of the Audit Committee held during the year 2003-2004 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	3	30-06-2003
2.	Mr. K Vasudeva Rao	Member	3	31-07-2003
3.	Dr K K Krishnan Kutty	Member	3	31-10-2003

4. Remuneration/ Compensation Committee

As on 31st March, 2004 the Remuneration Committee comprised of Mr. K. Vasudeva Rao, Chairman and Dr. K.K. Krishnan Kutty and Mr. J.A. Rao as Members of the committee. The terms of reference of the Remuneration Committee, inter alia include determination of compensation package of Executive Directors and Senior Management of the Company. During the year 2003-2004, no meeting of the Remuneration Committee was held during the year.

5. Shareholders and Investor(s) Grievance Committee:

The company has a Shareholders\Investor Grievance Committee Comprised 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 2003-04 were as follows

Nature of Complaint	Received during the year	Resolved during the year
Letters received from NSE	-	-
Letter from SEBI	-	-
Letter from BSE	1	1
Non-Receipt of Dividend/Warrant	20	20
Non-receipt of Share Certificate/Transfer	-	-
Total	21	21

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	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialization	Total
9	3500	Nil	100	3600

7. General Body Meetings:

The Last three Annual General Meetings of the company were held at plot No.1 & 9, IDA, Phase-II, Cherlapally, Hyderabad – 500051 as detailed below:

Date of AGM Held	Time
30 th September, 2003 Monday	10.30 AM
30 th September, 2002 Tuesday	10.30 AM
30 th September, 2001 Tuesday	3.30 PM

No postal Ballots were required to be used/invited for voting at these meetings in respect of the special resolutions 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 interests 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 were 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), and Andhra Bhoomi (Telugu). These results are submitted to the stock exchanges in accordance with the Listing Agreements.

Management Discussion and Analyses

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

10. General Shareholders Information:

The Fourth Annual General Meeting of the Company will be held on Thursday, 30th September, 2004 at 11.30 A.M at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051

Dates of Book Closure: 28th September – 30th September 2004 (Inc. of both days)

Stock Exchanges where Shares of the Company are listed

- | | |
|--|---|
| 1. National Stock Exchange of India Limited
Exchange Plaza, 5th Floor Plot No C/1
G Block Bandra Kurla Complex
Bandra (E), Mumbai - 400 051 | 2. The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001 |
| 3. The Hyderabad Stock Exchange Limited
Administrative Office 6-3-654
Adjacent to Erramanzil Bus Stop
Somajiguda Hyderabad – 500 082 | 4. The Stock Exchange Ahmedabad
Kamadhenu Complex
Opp Sahajanand College
Panjarapole,
Ahmedabad – 380 015 |
| 5. Madras Stock Exchange Limited,
Exchange Building Post Box No 183
II Second Line Beach
Chennai - 600 001 | 6. Delhi Stock Exchange Association
Limited,
DSE House 3/1, Asaf Ali Road
New Delhi - 110 002 |

Stock Code:

NSE - GOLDTELE

BSE - 532439

HSE - 6496

Listing fees has been paid to all the stock exchanges for the year 2004-05

Market Price Data:

Month	NSE		BSE	
	High	Low	High	Low
April 2003	10.70	7.65	10.70	7.70
May 2003	9.70	7.60	9.60	7.70
June 2003	11.30	7.70	11.90	7.05
July 2003	11.40	6.90	12.10	7.20
August 2003	9.50	7.15	9.75	7.55
September 2003	9.35	6.75	9.40	6.90
October 2003	7.80	4.80	8.00	5.00
November 2003	7.50	5.15	8.42	5.00
December 2003	10.30	8.00	11.00	7.60
January 2004	9.45	6.15	9.45	5.51
February 2004	6.50	5.05	6.50	4.70
March 2004	5.75	3.65	5.31	3.10

Outstanding GDR's/ADR's/ Warrants or convertible instruments and impact on Equity:

The Company has not issued any GDRs/ADRs. There are no outstanding instruments convertibles into Equity Shares and as such there 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,
Khairtabad Hyderabad – 04
Tel: +91-40-3322262/64
Fax: +91-40-3324803
Email: vccil_hyd@yahoo.co.in

Distribution of Shareholding as on 31st March 2004

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	9449	79.98	6573093	12.03
500 - 10000	1079	9.87	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
TOTAL	11638	100.00	54660600	100.00

Shareholding Pattern as on 31st March 2004

Category	No. of Equity Shares Held	% of Shareholding	No. of Shareholders	% to Total Shareholders
1 Promoters	3165888	23.17%	3	0.03%
2 Mutual Funds, FI's & Banks	105859	0.76%	4	0.04%
3 Private Bodies Corporate	1607451	11.76%	537	4.61%
4 Public	8304634	60.78%	10863	93.33%
5 NRI'S & OCB's	481318	3.52%	231	1.99%
GRAND TOTAL	13665150	100.00%	11638	100.00%

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 Dematerialized form. Over 74.48% of the company Shares are now held in Electronic Form.

(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 Secunderbad – 500003
Tel: + 91-40-27807640, Fax + 91-040-27801910,
E-mail: infosecretarial@goldstonetech.com, pvrMurthy@goldstonetech.com

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 Teleservices Limited have reviewed the relevant records for the year ended on 31st March 2004 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 **P. R. Pramodkumar & Co.,**
Chartered Accountants

Place : Secunderabad
Date : 30th July, 2004

Sd/-
P R Pramodkumar
Proprietor

MANAGEMENT DISCUSSION ANALYSIS

FISCAL:

The financial year of the Company consists of 12 months period commencing from 01.04.2003 and ending on 31.03.2004.

Industry Structure & Developments:

GTSL has originally started with a unit for manufacture and supply of telecom cable jointing kits to Department of Telecommunications / Mahanagar Telephone Nigam Limited. Keeping in view the rapid technological changes in the telecommunication industry, fast expansion of wireless telephony & Cell phones, which resulted

in stagnation in growth of demand for telephone cable jointing kits, the Company has pro-actively diversified into high growth areas like business process outsourcing activity. In line with the Company's corporate strategy to make investments in innovative products, the Company has invested in setting up of manufacturing facilities for manufacture of Composite / Polymer Insulators used in Power sector and Indian Railways. During the year under review, the Company has thus three operating divisions viz., Telephone Cable Jointing Kits, Composite Insulators & BPO.

Segmental Performance:

(Rs in lakhs)

Particulars	Telecom	BPO	Insulator	Consolidated
Revenue	349.59	861.18	165.23	1376.00
Other Income	23.35	22.12	0	45.47
Segment Revenue	372.94	883.30	165.23	1421.47
Segment Results	(146.97)	264.33	7.46	124.82
Less: Financial Expenses	36.55	67.52	9.25	113.32
Profit/Loss before Taxation	(183.52)	196.81	(1.79)	11.50
Provision for Taxation	0	0	0	0
Profit/Loss after taxation	(183.52)	196.81	(1.79)	11.50
Segment Assets	2696.21	1489.65	396.75	4582.61
Segment Liabilities	844.01	705.92	161.98	1711.91
Capital employed	2152.20	783.73	234.77	3170.70

Telecom Division:

This division has ISO 9002 certification for its product range. GTSL is market leader in telephone cable jointing kits business. The demand for telephone cable jointing kits is directly related to the demand for Jelly filled telecom cables. With the change in Telecom policy of Govt. of India and evolution of innovative telecom technologies namely WLL, Wireless phones there has been no increase in the demand for telecom cable jointing kits. Government's Telecom Policy to expand Wired Telephones to rural areas and regular maintenance requirements of Jelly filled Telecom Cable lines creates demand for telecom cable jointing kits.

Various major circles of BSNL and MTNL namely Kerala, Maharashtra, West Bengal,

Orissa, Jharkhand, Tamil Nadu etc. started placing orders for their requirement of jointing kits during the current financial year. This division is expected to achieve higher turnover during the current financial year.

Risks:

Growing demand for mobile phones with the usage of cost effective wireless technologies, will pose serious threat for the sustenance of cable jointing kits business.

Composite / Polymer Insulators division:

This division commenced operations on 16th August, 2003. The Company is presently manufacturing Composite/ Polymer Insulators in the range of 11kV, 33kV and 25kV, which are used in Power transmission & distribution lines and Railway electrification projects respectively.

I. **POWER SECTOR – IN INDIA:** Power is a critical infrastructure for economic development and for improving the Quality of life. The achievement of increasing installed power capacity from 1362 MW to over 1,00,000 MW since independence and electrification of more than 50,000 villages is impressive in absolute terms. Power is a concurrent subject under the constitution. The states have the greater share of generation and transmission assets and the entire distribution under their control.

The Ministry of Power has taken a comprehensive and realistic review of various power projects, which can be commissioned in the five year plans 10th (2002-2007) & 11th (2007-2012). Based on this review a capacity addition target of 46,500 MW has been tentatively fixed for Central Power sector undertakings under the ministry of power. At the state level, the SEBS/State utilities and private sector will add about 41,800 MW. The capacity addition targets 6400 MW through nuclear power and 10,70 MW through non-conventional resources has accordingly been fixed for the period up to 2012.

It is estimated that for building over 1,00,000 MW of additional power capacity and associated transmission and distribution infrastructure, nearly Rs.8,00,000 crores investments would be needed in the next decade.

The large coal reserves in the country provide a ready and economical resource and ensure energy security. Hence Coal has been identified as the main fuel for power generation till 2012.

In view of the fact that addition of new capacity takes relatively longer time, strategies have also been formulated to augment power supply in short/medium run.

These strategies include increased generation through renovation and modernization (R&M) of old stations, energy conservation through the usage of reliable electrical accessories on T & D OH lines.

The T & D losses (Transmission and Distribution) are a major drain on the revenue stream affecting the very survival of the SEBs. Although reported total energy losses in T & D are 24 percent on an all India average basis, a closer examination reveals that actual losses could be in the region of 40-45 percent. The T

& D losses are pegged at around 8 to 10% in better-managed power systems in the developed countries.

Measures to reduce the T & D losses have been initiated at several SEBs power utilities by using electrical components and right insulators.

II. While the prospect of new additional capacity of power generation in the 10th and 11th plans is brightening by the day, the prospect of conserving energy is gaining ground and both these prospects call for installation of energy saving devices on Transmission and Distribution over head lines (TD OH) lines.

III. GTSL has the expertise, the technical know-how and the facilities to be a reliable partner in electricity transmission and distribution projects.

IV. While Composite / Polymer Insulators constitute 5 to 7% of the total construction cost of T & D OH lines, 85 to 90% of failures on OHTL are caused by them.

V. Utilities in USA use Composite Polymer Insulators because of

- | | |
|-----------------------------|-------|
| a) Light Weight | (42%) |
| b) Cost | (18%) |
| c) Anti vandalism | (13%) |
| d) Contamination resistance | (7%) |

World over, contamination resistance has been the main compelling reason to use Composite Polymer Insulators on OHTL lines specially if they are located near Coal pit stations, Fertilizers, Factories, Cement Plants, Coastal side, etc.

VI.- Changing environments can cause increase in pollution levels leading to excessive contamination of high voltage insulators.

- Leading to very severe surface leakage current losses leading to excessive transmission and distribution losses.

- This may lead to unacceptably frequent flashovers if the creepage length and general design are inadequate.

- Ceramic Insulators (age old usage in India) are prone to damage during transportation, installation and through vandalism.

A new range of insulators proposed to be produced by GTSL on vulcanized (cured) Polymeric housing made from non tracking, erosion and weather resistant Polymer compound moulded on pultruded FRP rods

with metal end fittings attached by crimping are one of the answers to the above problems.

The greatest advantages of Composite Insulators over Ceramic are

- i. Improved reliability
- ii. Eliminates maintenance
- iii. Energy efficiency is improved significantly
- iv. Life cycle & cost saved
- v. Lower installation time leading to lower shut down time/leading to savings in energy.
- vi. Lower weight leading to low transportation costs
- vii. Mechanical properties (caused by Fibre glass rods) and electrical performance (caused by Polymeric housing) are so outstanding that they meet all overhead line and switchgear-engineering requirement.

VII. World Bank has asked its borrowers to consider the usage of Composite Insulators in the construction of high voltage AC and DC transmission lines.

This request comes after the results of a Composite Insulator study performed by consulting and engineering company Black and Vetch and released by World Bank.

The study found that Composite Insulators can be specified, manufactured, tested and maintained to be reliable for their service life and ceramic insulators for HVAC and HVDC applications.

VIII. Market Potential for Composite Insulators:

Considering an investment of Rs.4,00,000 crores in the next 7 years an addition of new capacities to the tune of 1,00,000 MW and considering energy conservation measures through renovation and modernization are on, the demand for Composite Insulators will increase with a CAGR of 8% p.a.

The demand for Composite Insulators is estimated to be around Rs.500 crores p.a. for the next 7 years (for extra high voltage insulators in 66KV, 132KV, 220 KV and

400 KV) and Rs.100 crores p.a. for the next 7 years totaling to Rs.4,00,000 crores representing 10% of the cost of construction of power projects which is pegged at Rs.4,00,000 crores up to 2012. The demand does not include the maintenance and stores requirement.

International markets specially are targeted areas like Middle East has a potential of 15 to 18 million insulators (in all ratings) and in South Africa, Pakistan, Srilanka and Bangladesh 7.5 million insulators (all ratings included).

IX. Global Competition – Since Composite / Polymer Insulators have proved to be an economically efficient option to Ceramics to save T & D losses, electrical utilities in India are slowly turning to Composite Insulators but at imaginative prices.

In order to meet the global competition, the focus at GTSL will be on cost-erosion through continual cost innovation through

- a. Backward integration by producing in-house components like FRP rods, end fittings (galvanized).
- b. Manufacturing Polymer Compound in-house to reduce total dependence on imported Polymer Compounds.
- c. Innovative designs to respond to various needs and requirements.

During the current financial year, this division is expected to achieve a turnover of Rs.10.00 crores.

Risks

The company may face competition from imports in a few range of products. We are implementing cost reduction measures to make our product highly competitive as compared to the import prices also, to overcome the threat of competition from imports

BPO Division:

This division has commenced operations in November 2002 initially by taking up outbound based telemarketing business for various clients. Due to statutory adverse developments in USA, with regard to outbound telemarketing Call Center activities, we have shifted our focus to other areas of BPO operations namely Inbound Calls and help

desk business activity. The company has plans to start extending services in Back office operations and a few verticals of business process outsourcing in medium term.

Risks

BPO business is highly competitive and fast growing. By virtue of the state-of-the-art infrastructure available with the Company, the Company is confident of achieving normal growth in the near future.

Internal Controls & Systems:

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded & reported properly and applicable statutes & corporate policies are duly complied with. The internal audit function has been structured to continuously review the adequacy and efficacy of the internal controls. The audit committee reviews the internal audit reports at regular intervals.

The company has an audit committee constituted as per section 292 (a) of the Companies Act, 1956 and as per the requirements of Corporate Governance specified under Clause 49 of the listing agreement.

Financial & Operational Performance:

During the year, Company has forfeited share warrants application money received of Rs.85,000/- due to non-receipt of the balance amount in time. The investments made in Composite / Polymer Insulators' division has been capitalized during the year on commencement of commercial production on 16.08.03. The turnover for the year was Rs.13.56 crores resulting in net profit of Rs.11.50 lakhs. The turnover and profits were lower due to non-receipt of major orders from BSNL/MTNL for telephone cable jointing kits.

Company had executed all initial orders received from various Power transmission & distribution companies and various zones of Indian Railways and achieved a turnover of Rs.165.23 lakhs during the year. Company has received back Rs.25.00 lakhs, Share Application Money paid for the purchase of equity shares in M/s. GEL Infrastructure Pvt. Ltd., due to non-allotment of shares. Financial expenses during the year have gone up on account

of interest payments on the term loans raised for BPO & Insulator divisions. Earnings per share for the year stands at Rs.0.08.

Human Resource Development & Industrial relations:

The Company's Corporate HRD policy emphasizes on continuous, increased quality and commitment of its employees in order to succeed in the achievement of the corporate goals. The company provides employee development opportunities by conducting training programmes to equip the employees with upgraded skills enabling them to adapt to the contemporary technological advancements.

As on 31st March 2004, the Company has a total strength of 113 employees.

Industrial relations during the year continue to be cordial and the Company is committed to maintain good industrial relations.

Outlook for the year 2004-05

Composite / Polymer Insulators manufactured by the Company have been widely accepted quality-wise, price wise by various power transmission and distribution companies and Indian Railways. Orders for bulk supplies from these customers are expected during the year 2004-05 enabling the Company to achieve a turnover of Rs.10.00 crores. Orders from BSNL / MTNL for supply of higher quantities of telecom cable jointing kits are expected during the year 2004-05. It is estimated that the Company would achieve a turnover of Rs.38.50 crores with a net profit of Rs.300.00 lakhs during the year 2004-05 including the revenue from the BPO division.

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.

Auditors' Report

TO
THE MEMBERS OF
GOLDSTONE TELESERVICES LIMITED:

1. We have audited the attached Balance Sheet of Goldstone Teleservices Limited as at 31st March, 2004 and also the Profit and Loss Account and the Cash flow statement 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 misstatements. 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 Companies Auditors' Report Order, 2003, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
 4. Further to our comments in the Annexure referred to 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, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
 - e. On the basis of written representations received from the Directors as on March 31, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 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, together with the notes thereon, give the information required by the Act, 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, 2004;
 - 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 P.R.PRAMODKUMAR & Co.
Chartered Accountants

Sd/-
P.R.PRAMODKUMAR
Proprietor.

Hyderabad.
30th June, 2004.

Annexure to Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Goldstone Teleservices Limited for the year ended 31st March, 2004.

- (i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation on fixed assets.
- b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical verification.
- c) There was no substantial disposal of fixed assets during the year.
- (ii) a) The management has conducted physical verification of inventory at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- (iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been observed in the internal controls.
- (v) a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) The transactions made with each of such parties during the year are below rupees five lakhs.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed there under apply.
- (vii) The Company has engaged the services of a firm of Chartered Accountants for carrying out its internal audit function which in our opinion, is commensurate with the size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the products of the company.
- (ix) a. Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance,, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess have generally been regularly deposited by the Company with the appropriate authorities though there has been a short delay

- in a few cases. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.
- b. According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has given corporate guarantee for loan taken by three of its group companies from a financial institutions, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the company.
- (xvi) Based on information and explanations given to us by the management, the loans were applied for the purpose for which the said loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2004 we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For P.R.PRAMODKUMAR & Co.
Chartered Accountants

Hyderabad.
30th June, 2004.

Sd/-
P.R.PRAMODKUMAR
Proprietor.

Balance Sheet as at 31st March, 2004

	SCHEDULE	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	5,46,60,600	5,47,45,600
Reserves and Surplus	2	23,86,85,593	25,28,09,114
		<u>29,33,46,193</u>	<u>30,75,54,714</u>
LOAN FUNDS:			
Secured Loans	3	7,98,44,298	8,47,98,106
Unsecured Loans	4	4,31,69,054	4,18,11,040
		<u>12,30,13,352</u>	<u>12,66,09,146</u>
Total		<u>41,63,59,545</u>	<u>43,41,63,860</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	5	25,74,73,149	22,76,55,028
Less: Depreciation		6,78,93,715	4,74,82,966
Net Block		18,95,79,434	18,01,72,062
Capital work in progress		1,38,10,338	5,03,56,003
		<u>20,33,89,772</u>	<u>23,05,28,065</u>
INVESTMENTS			
	6	5,01,50,000	5,26,50,000
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	1,79,25,797	78,80,813
Sundry Debtors	8	10,35,07,580	5,21,23,760
Cash and Bank Balances	9	1,22,55,739	5,75,29,133
Loans and Advances	10	7,10,32,118	8,76,45,064
		<u>20,47,21,234</u>	<u>20,51,78,770</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	11	90,97,385	2,80,46,789
Provisions	12	36,15,420	1,29,44,872
		<u>1,27,12,805</u>	<u>4,09,91,661</u>
Net Current Assets		19,20,08,429	16,41,87,109
Miscellaneous Expenditure	13	62,76,503	69,90,618
Deferred Tax Asset / (Liability)		(3,54,65,159)	(2,01,91,932)
Total		<u>41,63,59,545</u>	<u>43,41,63,860</u>
Accounting policies	22		
Notes to Accounts	23		

As per our report attached
For **P.R. Pramodkumar & Co.**
Chartered Accountants

on behalf of the Board

Sd/-
P.R. Pramodkumar
Proprietor
Place: Secunderabad
Date : 30.06.2004

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr.M V S R Kamesam
Director

Profit and Loss Account for the Year Ended 31st March, 2004

	SCHEDULE	For the Year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
INCOME			
Sales	14	13,76,00,554	13,01,23,082
Accretion / (Decretion) to stocks	15	70,19,536	(3,11,615)
Other Income	16	45,47,051	69,77,496
Total		14,91,67,141	13,67,88,963
EXPENDITURE			
Material Cost	17	3,74,30,436	3,93,97,737
Excise Duty		39,27,051	26,09,006
Personnel Expenditure	18	2,43,26,794	2,66,79,314
Other Manufacturing Costs	19	48,22,276	35,84,970
Administrative and Selling Expenses	20	4,35,92,674	3,15,77,913
Financial Expenses	21	1,13,32,361	51,88,120
Depreciation		2,06,30,753	1,23,66,574
Miscellaneous Expenses Written off		7,14,115	66,900
Total		14,67,76,460	12,14,70,534
Profit before Taxation		23,90,681	1,53,18,429
Provision for taxation			
- Current		-	20,00,000
- Deferred		-	10,85,784
Profit after tax for the year		23,90,681	1,22,32,645
Prior period adjustments (-)		12,40,974	(7,068)
Net Profit		11,49,707	1,22,25,577
Profit brought forward from the previous year		5,85,59,198	4,63,33,621
Amount available for appropriation		5,97,08,905	5,85,59,198
APPROPRIATIONS			
Proposed Dividend		-	-
Transfer to General Reserve		-	-
Surplus Transferred to Balance Sheet		5,97,08,905	5,85,59,198
Earnings per Share (Basic / diluted) (Nominal Value of Share Rs 4/- each)		0.08	0.90
No.of Shares used in computing Earning per Share		1,36,65,150	1,36,65,150
Accounting policies	22		
Notes to Accounts	23		

per our report attached

For **P.R. Pramodkumar & Co.**

Chartered Accountants

Sd/-

P.R.Pramodkumar

Proprietor

Place: Secunderabad

Date : 30.06.2004

on behalf of the Board

Sd/-

L P Sashikumar

Managing Director

Sd/-

Dr.M V S R Kamesam

Director

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
1: SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued, Subscribed and Paid up:		
1,36,65,150 Equity Shares of Rs. 4/- each, fully paid up	5,46,60,600	5,46,60,600
Share Warrants application money received	85,000	85,000
Less: Share Warrants forfeited during the year	<u>85,000</u>	–
Total	<u>5,46,60,600</u>	<u>5,47,45,600</u>
2: RESERVES AND SURPLUS		
Share Premium	13,44,39,028	13,44,39,028
General Reserve	5,98,10,888	5,98,10,888
Surplus:		
Opening Balance	5,85,59,198	4,63,33,621
Less: Accumulated Deferred Tax Liability	1,52,73,228	
Add: Balance transferred from the Profit and Loss Account	<u>11,49,707</u>	<u>1,22,25,577</u>
Balance	4,44,35,677	5,85,59,198
Total	<u>23,86,85,593</u>	<u>25,28,09,114</u>
3: SECURED LOANS		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad.	2,48,45,873	3,52,71,355
Term Loan from State Bank of Hyderabad	5,49,98,425	4,95,26,751
Total	<u>7,98,44,298</u>	<u>8,47,98,106</u>
4: UNSECURED LOANS:		
Sales Tax Deferment		
Opening Balance	4,18,11,040	3,81,95,077
Additions during the year	<u>13,58,014</u>	<u>36,15,963</u>
Balance	4,31,69,054	4,18,11,040
Total	<u>4,31,69,054</u>	<u>4,18,11,040</u>

Schedules Forming Part of the Accounts

5: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2003	Additions during the year	Deductions during the year	Cost as at 31.03.2004	As at 01.04.2003	For the year	Deductions	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	16,06,095	–	–	16,06,095	–	–	–	–	16,06,095	16,06,095
Buildings	1,43,05,777	–	–	1,43,05,777	32,97,434	4,79,122	–	37,76,556	1,05,29,221	1,10,08,343
Plant & Machinery	8,98,13,983	2,51,34,226	–	11,49,48,209	2,55,42,954	50,20,983	–	3,05,63,937	8,43,84,272	6,42,71,029
Furniture & Fixures	67,69,351	1,91,765	–	69,61,116	11,29,590	4,40,611	–	15,70,201	53,90,915	56,39,761
Lab Tools & Equipment	25,09,190	20,45,239	–	45,54,429	9,31,587	1,69,948	–	11,01,535	34,52,894	15,77,603
Electrical Equipment / Installation	89,60,647	1,74,923	–	91,35,570	20,36,532	4,32,797	–	24,69,329	66,66,241	69,24,115
Vehicles	1,07,67,945	–	5,60,475	1,02,07,470	42,96,582	10,14,087	2,05,832	51,04,837	51,02,633	64,71,363
Computer system	5,46,94,297	11,01,420	–	5,57,95,717	72,70,679	89,80,930	–	1,62,51,609	3,95,44,108	4,74,23,618
Office equipment	33,59,171	2,58,016	–	36,17,187	4,16,403	1,68,701	–	5,85,104	30,32,083	29,42,768
Generator	47,74,177	–	–	47,74,177	12,11,365	2,27,395	–	14,38,760	33,35,417	35,62,812
Leasehold Improvements	58,89,008	1,58,996	–	60,48,004	1,94,571	2,17,645	–	4,12,216	56,35,788	56,94,437
Air Conditioners	20,65,385	–	–	20,65,385	95,824	98,375	–	1,94,199	18,71,186	19,69,561
Network Equipments	1,96,28,908	6,15,644	2,15,630	2,00,28,922	10,15,664	32,43,827	14,173	42,45,318	1,57,83,604	1,86,13,244
Electronic Equipment & UPS	24,94,680	75,000	–	25,69,680	38,511	1,20,384	–	1,58,895	24,10,785	24,56,169
Tools & Spares	16,414	–	–	16,414	5,270	780	–	6,050	10,364	11,144
Temporary Sheds	–	8,38,997	–	8,38,997	–	15,170	–	15,170	8,23,827	–
Total	22,76,55,028	3,05,94,226	7,76,105	25,74,73,149	4,74,82,966	2,06,30,755	2,20,005	6,78,93,716	18,95,79,433	18,01,72,062
Previous year	14,53,11,066	8,23,88,928	44,966	22,76,55,028	3,51,16,393	1,23,66,573	–	4,74,82,966	18,01,72,062	11,01,94,673

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
6: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
Long- term Investments		
GTCL Mobilecom Technology Limited		
9700 Equity Shares of 10/- each, fully paid up (Market Value as on 31.03.04 @ Rs. 2.35 per Share - Rs. 22795/-)	97,000	97,000
GR Cables Limited		
11,45,000 Equity Shares of 10/- each, fully paid up (Market Value as on 31.03.04 @ Rs.2.05 per Share - Rs. 23,47,250/-)	1,10,03,000	1,10,03,000
Trade, Unquoted		
Long-term		
GEL Infrastructure Private Limited		
Share application money invested	25,00,000	
Less: Application money received back during the year	<u>25,00,000</u>	- 25,00,000
Investments in Subsidiary Companies		
(Unquoted)		
Newtech Stewing Telecom Limited	2,00,50,000	2,00,50,000
14,59,067 Equity Shares of Rs.10/- each,fully paid up		
Shree Shree Telecom Pvt Ltd		
1,50,000 Equity Shares of Rs. 10/- each, fully paid up	15,00,000	15,00,000
Share application money invested	<u>1,75,00,000</u>	175,00,000
Total	<u>5,01,50,000</u>	<u>5,26,50,000</u>
7: INVENTORIES		
(As Certified by the Management)		
Components and Packing Materials (at cost)	40,78,284	7,03,114
Rawmaterials (at cost) - Sleeves	13,05,630	32,50,622
Rawmaterials (at cost) - Insulators	15,95,270	-
Work-in-process (at cost) - Sleeves	62,96,358	39,27,077
Work-in-process (at cost) - Insulators	46,50,255	-
Total	<u>1,79,25,797</u>	<u>78,80,813</u>
8: SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	7,86,70,069	30,64,558
Other Debts	<u>2,48,37,511</u>	4,90,59,202
Total	<u>10,35,07,580</u>	<u>5,21,23,760</u>

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
9: CASH & BANK BALANCES		
Cash on hand	96,556	1,45,978
Balances with Scheduled Banks:		
-In Current Accounts	18,94,431	1,85,52,568
-In Fixed Deposits	-	1,50,26,333
-In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	1,02,64,752	2,38,04,254
Total	<u>1,22,55,739</u>	<u>5,75,29,133</u>
10: LOANS & ADVANCES		
(Unsecured, considered good)		
Advances to Subsidiary Companies	9,36,650	68,68,507
Advances to suppliers	25,69,472	-
Advances recoverable in cash or kind or for value to be received	6,05,57,062	6,45,52,583
Advances to Staff	3,75,965	6,26,410
Balance with Govt.bodies	8,02,722	6,67,226
Deposits	28,41,985	26,82,040
Advance Tax	-	95,46,502
Tax deducted at source	18,18,202	22,12,294
Prepaid Expenses	11,30,060	4,89,502
Total	<u>7,10,32,118</u>	<u>8,76,45,064</u>
11: CURRENT LIABILITIES		
Sundry Creditors		
Dues of Small Scale Industrial undertakings	6,13,277	27,81,068
Others	28,14,391	10,28,149
Statutory Liabilities	44,89,642	36,96,424
Other Creditors/liabilities	11,80,075	2,05,41,148
Total	<u>90,97,385</u>	<u>2,80,46,789</u>
12: PROVISIONS		
Provision for Taxation	21,54,884	1,15,50,000
Provision for Staff Benefit Schemes:		
For Gratuity	12,45,400	10,61,614
For Earned Leave Encashment	2,15,136	3,33,258
Total	<u>36,15,420</u>	<u>1,29,44,872</u>
13: MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Miscellaneous Expenditure	64,72,149	64,72,149
Less: Written off during the year	6,70,145	58,02,004
Preliminary expenses	5,18,469	5,85,369
Less: Written off during the year	43,970	4,74,499
Total	<u>62,76,503</u>	<u>69,90,618</u>

Schedules Forming Part of the Accounts

	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
14: SALES & SERVICES		
Telecom & Insulator Division		
- Domestic	5,11,24,608	9,51,43,304
- Exports	3,57,939	1,98,469
BPO Division	<u>8,61,18,007</u>	<u>3,47,81,309</u>
Total	<u><u>13,76,00,554</u></u>	<u><u>13,01,23,082</u></u>
15: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	1,09,46,613	39,27,077
Less: Opening Stock of WIP & Finished Goods	<u>39,27,077</u>	<u>42,38,692</u>
Total	<u><u>70,19,536</u></u>	<u><u>(3,11,615)</u></u>
16: OTHER INCOME		
Insurance Claims received	1,67,013	1,77,060
Interest on Fixed Deposits & loans	12,67,207	24,24,282
Service Charges	8,12,837	9,94,533
Miscellaneous Income	22,14,994	9,930
Dividend Received	-	33,71,691
Share warrants forfeited	<u>85,000</u>	<u>-</u>
Total	<u><u>45,47,051</u></u>	<u><u>69,77,496</u></u>
17: MATERIAL COST		
Opening Stock	39,53,736	43,66,702
Purchases:		
- Kit Components	1,79,95,725	2,40,18,712
- Polymer Insulators	25,45,409	-
- Packing Materials	22,83,506	52,49,837
- Rawmaterials		
Imports	1,23,52,641	84,25,425
Domestic	44,84,925	6,89,595
Other Purchase costs	<u>7,93,678</u>	<u>6,01,202</u>
	<u>4,44,09,620</u>	<u>4,33,51,473</u>
Less: Closing Stock	<u>69,79,184</u>	<u>39,53,736</u>
Total	<u><u>3,74,30,436</u></u>	<u><u>3,93,97,737</u></u>
18: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	2,29,17,941	2,52,50,441
Staff Welfare	<u>14,08,853</u>	<u>14,28,873</u>
Total	<u><u>2,43,26,794</u></u>	<u><u>2,66,79,314</u></u>
19: OTHER MANUFACTURING EXPENSES		
Power and fuel	17,94,221	20,03,147
Consumables	4,52,949	2,53,663
Repairs and Maintenance		
-Plant and Machinery	4,91,561	2,17,923
-Buildings	1,47,515	25,549
-Others	10,32,166	8,03,536
Testing and Inspection Charges	2,81,773	2,73,887
Job Work Charges	<u>6,22,091</u>	<u>7,265</u>
Total	<u><u>48,22,276</u></u>	<u><u>35,84,970</u></u>

Schedules Forming Part of the Accounts

	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
20: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	19,13,997	12,13,884
Advertisement	2,02,571	2,58,739
Electricity	20,53,512	15,14,586
Rent	18,01,026	18,01,573
Legal Fees	93,986	1,27,892
Printing and Stationery	3,06,866	3,21,292
Tender Expenses	96,462	88,116
Postage ,Telephones and Internet	4,01,602	15,00,121
Communication Expenses	1,82,94,859	39,45,752
Leads Purchases	30,30,309	-
Insurance	13,06,065	5,36,844
Professional and Consultancy	8,45,076	32,37,359
Fees, Rates and Taxes	7,10,622	3,98,928
Gifts and Donations	56,992	3,94,454
Vehicle Maintenance	1,64,727	11,90,142
Travelling Expenses		
- Directors	2,40,339	60,122
- Others	18,65,293	22,51,652
Conveyance	34,73,201	36,39,830
Carriage Outward	17,80,561	14,90,743
Sales Tax	19,99,020	37,79,552
Auditors Remuneration	1,40,000	1,25,000
Business Promotion	3,57,604	8,71,865
Office Maintenance	4,42,262	4,65,887
Miscellaneous Expenses	12,52,685	19,13,323
Listing Fees	10,000	64,250
Liquidated Damage expenses	35,496	-
Price reduction	76,132	-
Loss on Sale of Assets	1,65,643	-
Security Charges	4,75,766	3,86,007
Total	<u>4,35,92,674</u>	<u>3,15,77,913</u>
21: FINANCIAL EXPENSES		
Interest on Working Capital & Term Loans	1,05,04,628	31,95,997
Bank Charges & Commission	7,26,173	16,79,622
Other Finance Charges	1,01,560	3,12,501
Total	<u>1,13,32,361</u>	<u>51,88,120</u>

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 values 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.

Schedules Forming Part of the Accounts

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

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.

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.

23: NOTES TO ACCOUNTS

Share Capital

During the year, the Company has forfeited Equity share warrants money Rs 85,000/- due non payment of balance amount.

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 Loans 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 of the Company.

Unsecured Loans:

The Unsecured loans represent Sales Tax deferment. During the year, an amount of Rs.19,99,020/- (Previous year Rs.37,79,552/-) was charged to the profit and loss account, out of which an amount of Rs.13,58,014/- (Previous year Rs. 36,15,963/-) 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 31.03.04 is Rs.4,31,69,054 (previous year 4,18,11,040/-).

Investments in Various Projects under progress:

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

Name of the Project	2003-04 (Rs.)	2002-03 (Rs.)
Power Project – Insulators	-	2,55,04,873/-
Power Project - Hydel	19,66,046/-	17,49,990/-

Project Insulator Division commenced its commercial production on dt. 16.08.2003. 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 is Rs. 15,00,000/- (Previous Yr 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.10,53,487/- towards Income tax payment made / provided on completion of assessments for the earlier years, and Rs. 4,27,476/- towards Sales tax payments made in respect of earlier years on completion of assessments.

Segment Reporting:

Business Segments:

During the year, Insulator Division commenced its operations on 16.08.2003. Accordingly, segment wise results for Telecom Division, BPO Division and Insulator Division are given as under:

Rs in lakhs

	Telecom	BPO	Insulator	Consolidated
Revenue	349.59	861.18	165.23	1376.00
Other Income	23.35	22.12	-	45.47
Segment Revenue	372.94	883.30	165.23	1421.47
Segment Results	(146.97)	264.33	7.46	124.82
Less: Financial Expenses	36.55	67.52	9.25	113.32
Profit before Taxation	(183.52)	196.81	(1.79)	11.50
Provision for Taxation	-	-	-	-
Profit after taxation	(183.52)	196.81	(1.79)	11.50
Segment Assets	2696.21	1489.65	396.75	4582.61
Segment Liabilities	844.01	705.92	161.98	1711.91
Capital employed	2152.20	783.73	234.77	3170.70

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 disclosures:

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 31.03.2004)

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

(Rs.in lacs)

	2003-04		2002-03	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	4.27	2.15	3.42	0.86
Receipt towards share of common (allocated) expenses.	30.39	19.88	34.67	-

Transactions with Key Management Personnel :

	Year ended 31.03.2004	Year ended 31.03.2003
L P Sashikumar , Managing Director		
Salary	12.00	12.00
Reimbursement of Expenses	0.14	0.14

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 31.03.2004	For the year ended 31.03.2003
Licensed & Installed Capacities			
i. Installed Capacity (Nos)			
– Heat Shrinkable Sleeves		6,90,000	6,90,000
– MARR SRR Systems		600	600
ii. Production (Nos)			
– Heat Shrinkable Sleeves for Telecom Cable Jointing Kits	(Nos)	2,09,718	2,76,150
iii. Purchase of Components & Raw materials		4,04,55,884	3,89,84,771
iv. Production of Cable Jointing Kits	(Nos)	1,98,075	2,78,203
v. Turnover			
– Jointing kits	(Nos)	1,98,075	2,78,203
	Value (Rs.)	3,25,44,092	9,43,26,748
– Sub kits (sleeves with channels)	(Nos)	6,687	–
	Value (Rs.)	16,49,508	–
– BPO Division Sales	Value (Rs.)	8,61,18,007	3,47,81,309
– Others	Value (Rs.)	1,72,88,947	10,15,025
		<u>13,76,00,554</u>	<u>13,01,23,082</u>
vi. Opening & Closing Stocks			
Opening Stock			
– Manufactured Sleeves	(Nos)	45	1,437
	Value (Rs.)	4,231	69,429
– Work in process	Value (Rs.)	39,22,846	41,69,264
– Components & Raw materials	Value (Rs.)	39,53,736	43,66,701
		<u>78,80,813</u>	<u>86,05,394</u>
Closing Stock			
– Manufactured Sleeves	(Nos)	5,001	45
	Value (Rs.)	2,57,166	4,231
– Work in process	Value (Rs.)	60,39,192	39,22,846
– Components & Raw materials	Value (Rs.)	53,83,914	39,53,736
– Rawmaterials - Insulators	Value (Rs.)	15,95,270	–
– Work in process - Insulators	Value (Rs.)	46,50,255	–
		<u>1,79,25,797</u>	<u>78,80,813</u>

Schedules Forming Part of the Accounts

SCHEDULE 23 : Continued

		For the year ended 31.03.2004	For the year ended 31.03.2003
vii. Raw Materials Consumed			
– Hotmelt Adhesive	Kgs	23,760	32,630
	Value (Rs.)	31,34,948	62,31,176
– Granules	Kgs	39,405	63,840
	Value (Rs.)	19,28,019	22,14,148
– Others	Value (Rs.)	3,23,67,469	3,09,52,413
		<u>3,74,30,436</u>	<u>3,93,97,737</u>
viii. Consumption of Imported & Indigenous Materials			
– Imported Materials	Value (Rs.)	35,61,906	84,32,054
	%	9.52%	21.40%
– Indigenous Materials	Value (Rs.)	3,38,68,530	3,09,65,683
	%	90.48%	78.60%
– Total	Value (Rs.)	<u>3,74,30,436</u>	<u>3,93,97,737</u>
	%	100%	100%
ix. Foreign Exchange Transactions			
Value of Imports on CIF basis			
– Raw Materials	Value (Rs.)	61,12,949	98,79,612
– Capital Goods	Value (Rs.)	91,47,419	5,19,10,419
– Tools & Spares	Value (Rs.)	43,041	1,26,890
Expenditure/Earnings in Foreign Currency			
Travelling & other expenses	Value (Rs.)	2,30,60,544	78,18,287
Export of goods (FOB basis)	Value (Rs.)	1,63,31,168	48,92,681
x. Auditors' Remuneration			
Audit Fee		1,25,000	1,10,000
Taxation Matters		15,000	15,000
		<u>1,40,000</u>	<u>1,25,000</u>

Schedules Forming Part of the Accounts

Earnings per share:

Calculation of EPS

(Rs. In Lakhs)

	2003-04	2002-03
Total No. of Shares outstanding	1,36,65,150	1,36,65,150
Profit after taxes before Exceptional items	23.91	133.11
Profit after taxes after Exceptional items	11.50	122.26
EPS before Non-recurring and Exceptional items	0.17	0.97
EPS after Non-recurring and Exceptional items	0.08	0.90

Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company	Extent of holding (%) As on 31.03.2004	Extent of holding (%) As on 31.03.2003
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.

Contingent Liabilities:

	As at 31.03.2004 (Rs.)	As at 31.03.2003 (Rs.)
a) Un-expired Letters of Credit for Raw Materials	40,48,600/-	75,98,016/-
b) Bank Guarantees Outstanding	1,86,24,082/-	3,08,01,611/-
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 320 Lakhs. (Previous year Rs. 740 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 – Nil - (Previous year Rs. 4.54 lakhs).		

Figures have been rounded off to the nearest rupee.

Previous year figures have been regrouped wherever necessary

As per our report of even date

On behalf of the Board

For P.R.Pramodkumar & co.

Chartered Accountants

Sd/-
P.R.Pramodkumar
Proprietor
Place : Secunderabad
Date : 30.06.2004

Sd/-
L.P.Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Statement of Cash Flows for the year ended 31.03.2004

	Rs. In lakhs	
	31.03.2004	31.03.2003
A Cash Flow from operating activity		
Net Profit before tax	23.91	153.18
Adjustments for:		
Depreciation	204.11	123.67
Miscellaneous expenditure written off	7.14	0.67
Share Warrants money forfeiture	(0.85)	-
Provision for Gratuity & Earned Leave	0.66	4.83
Other Income	(45.47)	(69.77)
Operating Profit before working capital changes	189.50	212.58
Adjustments for:		
Trade and other receivables	(513.84)	(220.40)
Inventories	(100.45)	7.25
Trade advances	66.72	(444.19)
Trade Payable	(189.49)	(0.27)
Cash generated from operations	(547.56)	(445.03)
Direct Taxes paid (net)	5.43	(13.59)
Cashflow before extraordinary items	(542.13)	(458.62)
Extra ordinary items	(12.41)	(0.07)
Net Cash flow from operating activity	(554.54)	(458.69)
B. Cash Flow from Investing Activity		
Purchase of fixed assets	(298.18)	(823.44)
Capital work in progress	365.46	(400.78)
Sale of investments	25.00	424.97
Miscellaneous Expenditure	-	(64.72)
Other income	45.47	36.05
Dividend received	-	33.72
Net Cash used for investing activity	137.75	(794.20)
C. Cash Flow from financing activities		
Repayment of Working capital Loan	(104.25)	169.53
Term Loan from State Bank of Hyderabad	54.72	495.27
Deferred sales tax loan	13.58	36.16
Dividend paid	-	(86.70)
Premium Received on Preferential allotment	-	367.25
Proceeds from Preferential allotment premium	-	62.85
Net cash generated from financing activity	(35.95)	1044.36
Cash and cash equivalents (Opening Balance)	575.30	783.83
Net increase in Cash & Cash equivalents (A+B+C)	(452.74)	(208.53)
Cash and cash equivalents (Closing Balance)	122.56	575.30

For **P.R Promod Kumar & Co.**
Chartered Accountants

on behalf of the Board

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr. MVSR Kamesam
Director

Place: Secunderabad
Date : 30.06.2004

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 4		
	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"/> <input type="text"/> <input type="text"/> N I L

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

Sources of Funds:

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

Application of Funds:

Net Fixed Assets	<input type="text"/> 2 0 3 3 . 9 0	Investments	<input type="text"/> 5 0 1 . 5 0
Net Current Assets*	<input type="text"/> 1 5 6 5 . 4 3	Misc. Expenditure	<input type="text"/> 6 2 . 7 7

* includes Deferred Tax Liabilities

Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
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IV. Performance of company (Amount in Rs. Lacs)

Turnover/Income	<input type="text"/> 1 4 2 1 . 4 8	Total Expenditure	<input type="text"/> 1 3 9 7 . 5 7
Profit before tax	<input type="text"/> 2 3 . 9 1	Profit after tax	<input type="text"/> 2 3 . 9 1
Earning per Share in Rs.	<input type="text"/> 0 . 0 8	Dividend Rate	<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
Item Code No. (ITC Code)	:	854620
Product Description	:	Composite Polymer Insulators

On behalf of the Board

Sd/-
L.P.Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R Kamesam
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 2004 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. 9,12,95,961/- as at 31st March, 2004 and total revenues of Rs. 2,44,64,120/- 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, 2004;
 - 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, 2004;
 - 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, 2004.

For **P.R. Pramod Kumar & Co.**
Chartered Accountants

Secunderabad
10th August, 2004

Sd/-
P R Pramodkumar
Proprietor

Consolidated Balance Sheet as at 31st March, 2004

	SCHEDULE	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	5,46,60,600	5,47,45,600
Reserves and Surplus	2	25,33,63,211	27,20,30,348
		<u>30,80,23,811</u>	<u>32,67,75,948</u>
Minority Interest	3	3,33,080	3,84,494
LOAN FUNDS:			
Secured Loans	4	8,18,50,925	9,42,29,459
Unsecured Loans	5	4,35,89,054	4,22,31,040
		<u>12,54,39,979</u>	<u>13,64,60,499</u>
Total		<u>43,37,96,870</u>	<u>46,36,20,941</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	6	28,35,14,436	25,36,96,315
Less: Depreciation		7,96,01,283	5,80,08,357
Net Block		20,39,13,153	19,56,87,958
Work in progress		1,38,10,338	5,03,56,003
		<u>21,77,23,491</u>	<u>24,60,43,961</u>
INVESTMENTS	7	4,15,34,435	4,40,34,435
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	8	2,69,18,951	2,03,18,652
Sundry Debtors	9	12,17,30,254	5,88,49,509
Cash and Bank Balances	10	2,29,39,653	7,37,55,028
Loans and Advances	11	7,23,11,180	9,19,08,104
		<u>24,39,00,038</u>	<u>24,48,31,293</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	12	3,35,33,769	3,32,88,672
Provisions	13	36,82,824	2,16,13,488
		<u>3,72,16,593</u>	<u>5,49,02,160</u>
Net Current Assets		<u>20,66,83,445</u>	<u>18,99,29,133</u>
Miscellaneous Expenditure	14	65,58,377	73,34,312
Deferred Tax Asset / (Liability)		<u>(3,87,02,878)</u>	<u>(2,37,20,900)</u>
Total		<u>43,37,96,870</u>	<u>46,36,20,941</u>
Notes to Accounts	23		

per our report attached
for **P.R.Pramodkumar & Co.**
Chartered Accountants
Sd/-

P.R.Pramodkumar
Proprietor

Place : Secunderabad
Date : 10th August, 2004

on behalf of the Board

Sd/-
LP Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Consolidated Profit and Loss Account for the Year Ended 31st March, 2004

	SCHEDULE	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
INCOME			
Sales	15	16,11,62,404	14,29,23,783
Accretion / (Decretion) to stocks	16	36,97,006	31,14,632
Other Income	17	48,06,718	80,22,780
Total		16,96,66,128	15,40,61,195
EXPENDITURE			
Material Cost	18	4,99,22,121	4,54,24,174
Excise Duty		51,00,787	28,34,720
Personnel Expenditure	19	2,56,24,139	2,84,02,616
Other Manufacturing Costs	20	62,24,264	42,22,924
Administrative and Selling Expenses	21	5,00,82,459	3,73,37,654
Financial Expenses	22	1,23,53,704	64,71,609
Depreciation		2,18,12,930	1,33,50,427
Miscellaneous Expenses Written off		7,75,935	1,28,720
Total		17,18,96,339	13,81,72,844
Profit before Taxation		(22,30,211)	1,58,88,351
Provision for taxation			
- Current		-	22,50,000
- Deferred		-	14,19,798
Profit after tax for the year		(22,30,211)	1,22,18,553
Prior period adjustments		(15,06,361)	(7,40,757)
Net Profit		(37,36,572)	1,14,77,796
Minority Interest (+)		51,414	5,367
Profit brought forward from the previous year		6,02,32,573	4,87,49,410
Amount available for appropriation		5,65,47,415	6,02,32,573
APPROPRIATIONS			
Proposed Dividend		-	-
Transfer to General Reserve		-	-
Surplus Transferred to Balance Sheet		5,65,47,415	6,02,32,573
Earnings per share (Basic/diluted)		-	0.85
(Nominal Value of Share of Rs. 4/- each)			
No of Shares used in computing Earnings per share		1,36,65,150	1,36,65,150
Notes to Accounts	23		

per our report attached
for **P.R.Pramodkumar & Co.**
Chartered Accountants

on behalf of the Board

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
LP Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Place : Secunderabad
Date : 10th August, 2004

Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
1: SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each,	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued,Subscribed and Paid up:		
1,36,65,150 Equity Shares of Rs. 4/- each , fully paid up	5,46,60,600	5,46,60,600
Share Warrants application money received	85,000	
Less: Share Warrants forfeited during the year	85,000	85,000
Total	<u>5,46,60,600</u>	<u>5,47,45,600</u>
2: RESERVES AND SURPLUS		
Share Premium	13,44,39,028	13,44,39,028
General Reserve	6,02,37,467	6,02,37,467
Capital Reduction Account	1,71,21,280	1,71,21,280
Surplus:		
Opening Balance	6,02,32,573	4,87,49,410
Less: Accumulated Deferred Tax Liability	1,49,81,979	-
Add: Balance transferred from the Profit and Loss Account	<u>(36,85,158)</u>	<u>1,14,83,163</u>
Balance	<u>4,15,65,436</u>	<u>6,02,32,573</u>
Total	<u>25,33,63,211</u>	<u>27,20,30,348</u>
3: MINORITY INTEREST		
As at the commencement of the year	3,84,494	3,89,861
Current Year Profit / (Loss)	<u>(51,414)</u>	<u>(5,367)</u>
Total	<u>3,33,080</u>	<u>3,84,494</u>
4: SECURED LOANS		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad.	2,48,45,873	3,52,71,355
Cash Credit from State Bank of India	20,06,627	94,31,353
Term Loan from State Bank of Hyderabad	<u>5,49,98,425</u>	<u>4,95,26,751</u>
Total	<u>8,18,50,925</u>	<u>9,42,29,459</u>
5: UNSECURED LOANS:		
Sales Tax Deferment		
Opening Balance	4,18,11,040	3,81,95,077
Additions during the year	<u>13,58,014</u>	<u>36,15,963</u>
Balance	<u>4,31,69,054</u>	4,18,11,040
Loans & Advances from Corporate body	<u>4,20,000</u>	<u>4,20,000</u>
Total	<u>4,35,89,054</u>	<u>4,22,31,040</u>

Schedules Forming Part of the Consolidated Accounts

6: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2003	Additions during the year	Deductions during the year	Cost as at 31.03.2004	As at 01.04.2003	For the year	Adjustments/ Deductions	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill	54,59,330	–	–	54,59,330	–	–	–	–	54,59,330	54,59,330
Land	16,06,095	–	–	16,06,095	–	–	–	–	16,06,095	16,06,095
Buildings	1,43,05,777	–	–	1,43,05,777	32,97,434	4,79,122	–	37,76,556	1,05,29,221	1,10,08,343
Plant & Machinery	10,74,48,567	2,51,34,226	–	13,25,82,793	3,48,80,170	58,58,625	–	4,07,38,795	9,18,43,998	7,25,68,397
Furniture & Fixtures	71,44,219	1,91,765	–	73,35,984	14,97,193	4,47,876	–	19,45,069	53,90,915	56,47,026
Lab Tools & Equipment	26,27,571	20,45,239	–	46,72,810	9,45,607	1,75,571	–	11,21,178	35,51,632	16,81,964
Electrical Equipment/ Installation	90,73,488	1,74,923	–	92,48,411	20,49,922	4,38,157	–	24,88,079	67,60,332	70,23,566
Vehicles	1,07,86,955	–	5,60,475	1,02,26,480	43,15,592	10,14,087	2,05,832	51,23,847	51,02,633	64,71,363
Computer system	5,65,78,921	11,01,420	–	5,76,80,341	77,82,954	92,86,427	–	1,70,69,381	4,06,10,960	4,87,95,967
Office equipment	37,96,820	2,58,016	–	40,54,836	6,78,280	1,89,489	–	8,67,769	31,87,067	31,18,540
Generator	47,74,177	–	–	47,74,177	12,11,365	2,27,395	–	14,38,760	33,35,417	35,62,812
Leasehold Improvements	58,89,008	1,58,996	–	60,48,004	1,94,571	2,17,645	–	4,12,216	56,35,788	56,94,437
Air Conditioners	20,65,385	–	–	20,65,385	95,824	98,375	–	1,94,199	18,71,186	19,69,561
Network Equipments	1,96,28,908	6,15,644	2,15,630	2,00,28,922	10,15,664	32,43,827	14,173	42,45,318	1,57,83,604	1,86,13,244
Electronic Equipments & UPS	24,94,680	75,000	–	25,69,680	38,511	1,20,384	–	1,58,895	24,10,785	24,56,169
Tools & Spares	16,414	–	–	16,414	5,270	780	–	6,050	10,364	11,144
Temporary Sheds	–	8,38,997	–	8,38,997	–	15,170	–	15,170	8,23,827	–
Total	25,36,96,315	3,05,94,226	7,76,105	28,35,14,436	5,80,08,357	2,18,12,930	2,20,005	7,96,01,282	20,39,13,154	19,56,87,958
Previous year	17,13,52,353	8,23,88,928	44,966	25,36,96,315	4,46,57,930	1,33,50,427	–	5,80,08,357	19,56,87,958	12,66,94,423

Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
7: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
GTCL Mobilecom Technology Limited 9,700 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.04 @ Rs.2.35 per share - Rs. 22,795/-)	97,000	97,000
GR Cables Limited 43,31,190 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.04 @ Rs. 2.05 per share- Rs. 88,78,940/-)	4,06,63,000	4,06,63,000
Bharti Televenture Limited 3,683 nos. of Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.04 @Rs.155.80 per share - Rs. 5,73,812/-)	1,65,735	1,65,735
Goldstone Teleservices Limited 50,000 nos. of Equity Shares of 4/- each, fully paid up (Market Value as at 31.03.04 @ Rs. 4.80 per share - Rs. 2,40,000/-)	6,08,700	6,08,700
Trade (Unquoted)		
Long-term:		
GEL Infrastructure Private Limited		
Share application money invested	25,00,000	
Less: Application money received back during the year	25,00,000	-
Total	4,15,34,435	4,40,34,435
8: INVENTORIES		
(As Certified by the Management)		
Components and Packing Materials (at cost)	1,00,89,944	52,61,821
Raw Materials (at cost) - Sleeves	13,05,630	43,41,692
Raw Materials (at cost) - Insulators	15,95,270	-
Work-in process (at cost) - Sleeves	92,77,852	1,07,15,139
Work-in process (at cost) - Insulators	46,50,255	-
Total	2,69,18,951	2,03,18,652

Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
9: SUNDRY DEBTORS (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	10,56,66,819	64,48,417
Other Debts	1,60,63,435	5,24,01,092
Total	<u>12,17,30,254</u>	<u>5,88,49,509</u>
 10: CASH & BANK BALANCES		
Cash on hand	97,785	1,47,208
Balances with Scheduled Banks:		
– In Current Accounts	46,47,467	2,13,04,039
– In Fixed Deposits	–	1,50,26,333
– In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	1,81,94,401	3,72,77,448
Total	<u>2,29,39,653</u>	<u>7,37,55,028</u>
 11: LOANS & ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	6,24,61,119	6,69,90,973
Advances to suppliers	25,69,472	10,852
Advances to Staff	3,77,965	6,31,410
Balance with Govt.bodies	8,03,342	12,51,160
Deposits	29,66,985	28,01,040
Advance Tax	–	1,71,08,712
Tax deducted at source	20,02,237	25,99,979
Prepaid Expenses	11,30,060	5,13,978
Total	<u>7,23,11,180</u>	<u>9,19,08,104</u>

Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
12: CURRENT LIABILITIES		
Sundry Creditors		
Dues of Small Scale Industrial Undertakings	21,14,924	28,15,205
Others	2,04,86,547	22,45,985
Statutory Liabilities	55,92,370	37,07,046
Other liabilities	53,39,928	2,45,20,436
Total	3,35,33,769	3,32,88,672
13: PROVISIONS		
Provision for Taxation	21,54,884	1,98,48,682
Proposed Dividend	-	2,89,961
Provision for Staff Benefit Scheme:		
For Gratuity	12,98,638	11,24,737
For Earned Leave Encashment	2,29,302	3,50,108
Total	36,82,824	2,16,13,488
14: MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Preliminary Expenses	8,62,163	9,90,883
Less : Written off during the year	1,05,790	7,56,373
Miscellaneous Expenditure	64,72,149	1,28,720
Less : Written off during the year	6,70,145	58,02,004
Total	65,58,377	73,34,312
15: SALES		
Telecom Division		
- Domestic	7,46,86,458	10,79,44,005
- Exports	3,57,939	1,98,469
BPO Division	8,61,18,007	3,47,81,309
Total	16,11,62,404	14,29,23,783
16: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	1,39,28,107	1,02,31,101
Less: Opening Stock of WIP & Finished Goods	1,02,31,101	71,16,469
Total	36,97,006	31,14,632

Schedules Forming Part of the Consolidated Accounts

	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
17: OTHER INCOME		
Insurance Claims received	1,71,848	2,49,425
Interest on Fixed Deposits & loans	15,22,039	33,29,504
Service Charges	8,12,837	9,94,533
Miscellaneous Income	22,14,994	19,024
Dividend Received	-	34,30,294
Share Warrants forfeited	85,000	-
Total	48,06,718	80,22,780
18: MATERIAL COST		
Opening Stock	1,00,87,551	77,85,607
Purchases:		
- Kit Components	2,87,62,415	2,99,35,982
- Polymer Insulators	25,45,409	-
- Packing Materials	35,01,410	60,49,843
- Raw materials		
Imported	1,29,02,157	1,07,37,672
Domestic	43,20,200	3,36,442
Other Purchase costs	7,93,823	6,66,179
	6,29,12,965	5,55,11,725
Less: Closing Stock	1,29,90,844	1,00,87,551
Total	4,99,22,121	4,54,24,174
19: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	2,41,56,052	2,68,88,407
Staff Welfare	14,68,087	15,14,209
Total	2,56,24,139	2,84,02,616
20: OTHER MANUFACTURING EXPENSES		
Power and fuel	26,93,903	23,20,025
Consumables	4,79,817	2,88,250
Repairs and Maintenance		
-Plant and Machinery	5,29,225	2,72,967
-Buildings	1,52,594	29,912
-Others	10,82,518	9,15,776
Testing and Inspection Charges	5,41,781	3,51,995
Job Work Charges	7,44,426	43,999
Total	62,24,264	42,22,924

Schedules Forming Part of the Consolidated Accounts

	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
21: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	19,13,997	12,13,884
Advertisement	2,08,659	3,02,927
Electricity	23,03,371	15,98,155
Rent	22,44,479	22,38,183
Legal Fees	1,05,837	1,49,734
Printing and Stationery	3,24,708	4,15,420
Tender Expenses	1,75,646	1,80,656
Postage ,Telephones and Internet	1,92,19,340	56,70,553
Leads Purchases	30,30,309	-
Insurance	14,47,431	6,59,443
Professional and Consultancy	22,41,737	46,87,622
Fees, Rates and Taxes	8,48,078	4,30,204
Gifts and Donations	60,267	3,97,349
Vehicle Maintenance	9,06,512	13,86,568
Travelling Expenses		
-Directors	2,45,477	70,390
-Others	19,79,829	25,19,877
Conveyance		
- Staff Transport	38,07,438	37,41,704
- Others	-	16,792
Carriage Outward	22,22,942	17,45,928
Sales Tax	29,33,149	43,23,716
Auditors Remuneration	2,35,000	2,20,000
Business Promotion	5,77,483	9,29,920
Office Maintenance	4,64,363	5,11,367
Miscellaneous Expenses	14,31,148	22,45,047
Listing Fees	10,000	64,250
Loss on sale of Investments	-	5,15,511
Loss on sale of Assets	1,65,643	-
Security Charges	6,12,640	5,19,184
Liquidated damage expenses	2,90,844	-
Price Reduction	76,132	-
Commission & Brokerage	-	5,83,270
Total	5,00,82,459	3,73,37,654
22: FINANCIAL EXPENSES		
Interest on Working Capital & Term Loan	1,10,47,743	37,27,489
Bank Charges & Commission	12,04,401	22,45,369
Other Finance Charges	1,01,560	4,98,751
Total	1,23,53,704	64,71,609

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, Insulator Division commenced its operations on 16.08.2003. Accordingly, segment wise results for Telecom Division, BPO Division and Insulator Division are given as under:

	Rs in lakhs			
	Telecom	BPO	Insulator	Consolidated
Revenue	349.59	861.18	165.23	1376.00
Other Income	23.35	22.12	-	45.47
Segment Revenue	372.94	883.30	165.23	1421.47
Segment Results	(146.97)	264.33	7.46	124.82
Less: Financial Expenses	36.55	67.52	9.25	113.32
Profit before Taxation	(183.52)	196.81	(1.79)	11.50
Provision for Taxation	-	-	-	-
Profit after taxation	(183.52)	196.81	(1.79)	11.50
Segment Assets	2696.21	1489.65	396.75	4582.61
Segment Liabilities	844.01	705.92	161.98	1711.91
Capital employed	2152.20	783.73	234.77	3170.70

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.

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 31.03.2004

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

(Rs.in lacs)

	2003-2004		2002-2003	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	4.27	2.15	3.42	0.86
Receipt towards share of common exp.	30.39	19.88	34.67	-

Transactions with Key Management Personnel:

	Year ended 31.03.2004	Year ended 31.03.2003
Sri. L P Sashikumar, Managing Director		
Salary	12.00	12.00
Reimbursement of Expenses	0.14	0.14

Earnings per share:

Calculation of EPS

(Rs. In Lakhs)

	2003-04	2002-03 (Nos.)
Total No. of Shares outstanding	1,36,65,150	13665150
Profit after taxes before Exceptional items	(22.30)	122.18
Profit after taxes after Exceptional items	(37.37)	114.77
EPS before Non-recurring and Exceptional items	-	0.90
EPS after Non-recurring and Exceptional items	-	0.85

Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company	Extent of holding (%) As on 31.03.2004	Extent of holding (%) As on 31.03.2003
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 P.R.Pramodkumar & Co.

Chartered Accountants

Sd/-

P.R.Pramodkumar

Proprietor

Place : Secunderabad

Date : 10.08.2004

On behalf of the Board

Sd/-

L.P.Sashikumar

Managing Director

Sd/-

Dr.M V S R Kamesam

Director

Statement of Consolidated Cash Flows for the year ended 31.03.2004

(Amounts in Rs. lakhs)

	31.03.2004	31.03.2003
A Cash Flow from operating activity		
Net Profit before tax	(22.30)	158.88
Adjustments for:		
Depreciation	215.93	133.50
Miscellaneous expenditure written off	7.76	1.29
Provision for Gratuity & Earned Leave	0.53	5.39
Share Warrants forfeited	(0.85)	-
Other Income	(47.22)	(80.23)
Operating Profit before working capital changes	153.85	218.83
Adjustments for:		
Trade and other receivables	(628.81)	(204.55)
Inventories	(66.00)	(54.17)
Trade Advances	18.90	(380.57)
Trade Payable	2.45	(46.37)
Cash generated from operations	(519.61)	(466.83)
Direct Taxes paid	0.12	(22.75)
Cash Flow before extraordinary items	(519.49)	(489.58)
Extraordinary items	(15.06)	(7.41)
Cash flow before extraordinary items	(534.55)	(496.99)
B Cash Flow from Investing Activity		
Purchase of fixed assets	(298.18)	(823.44)
CWP	365.46	(400.78)
(Purchase)/Sale of Investments	25.00	382.15
Miscellaneous Expenditure	-	(64.72)
Interest received	15.22	33.30
Dividend Received	-	34.30
Other income	32.00	12.63
Net Cash used for investing activity	139.50	(826.56)
C Cash Flow from financing activities		
Repayment of Working Capital Loan (SBH)	(104.26)	169.53
Repayment of Working Capital Loan (SBI)	(74.25)	61.95
Term Loan from State Bank of Hyderabad	54.72	495.27
Deferred Sales Tax Loan	13.58	36.16
Dividend Provision written back	(2.90)	(86.70)
Premium Received from Preferential Allotment	-	367.25
Proceeds from Preferential Allotment	-	62.85
Net cash generated from financing activity	(113.11)	1106.31
Net increase in Cash & Cash equivalents (A + B + C)	(508.16)	(217.24)
Cash & Cash equivalents (Opening Balance)	737.56	954.80
Cash & Cash equivalents (Closing Balance)	229.40	737.56

for **P.R. Pramodkumar & Co.**
Chartered Accountants

on behalf of the board

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr. M.V.S.R. Kamesam
Director

Place : Secunderabad
Date : 10th August, 2004.

Directors' Report

To

The Members

Newtech Stewing Telecom Limited

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2004.

Particulars	Rs in Lakhs	
	2003	2002-03
Net Sales/Income from Operations	200.71	122.12
Other Income	2.01	7.85
Total Income	202.72	129.97
Operating Profit (PBIDT) /Loss	1.26	30.51
Interest	8.95	10.30
Depreciation and Write Offs	11.25	9.26
Profit Before Tax	(18.93)	10.93
Provision for Tax		
- Current	-	2.50
- Deferred	-	2.48
Profit after Tax	(18.93)	5.95
Extra-Ordinary Items		
-Prior Period Adjustments	(2.39)	8.98
Equity Share Capital	149.51	149.51
Tangible Network	312.81	327.43

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:

- That in the preparation of the Accounts for the year ended 31st March 2004, 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 2004 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 2004 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

Foreign Exchange Outgo on account of:-

Value of Imports on CIF basis of Raw Materials for the year ended 31st March 2004 is Rs. 0.00 Lakhs as against Rs. 15.60 Lakhs previous year.

There were no Foreign Exchange Earnings

Particulars of Employees as per Section 217(2A)

There are no employees covered under this Section

Directors

Mr. L.P. Sashikumar, Director of the Company retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Mr. J.A. Rao has resigned as Director of the company during the year. Mr. Indrani Prasad appointed as Additional Director and proposed to be appointed as Director liable to retire by rotation at the ensuing Annual General Meeting. Mr. PVS Sharma appointed as Alternative Director to Ms. Mahita Caddell during

Acknowledgements

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

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve good results during the year.

For and on behalf of the Board

Sd/-

L.P. Sashikumar
Director

Sd/-

P. Indrani Prasad
Director

Place: Secunderabad
Date: 5th August 2004

Auditors' Report

To

THE MEMBERS OF NEWTECH STEWING TELECOM LIMITED:

1. We have audited the attached Balance Sheet of Newtech Stewing Telecom Limited as at 31st March, 2004 and also 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 misstatements. 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 Companies (Auditors' Report) Order, 2003, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to 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 Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and Profit and Loss Account statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
- e) On the basis of written representations received from the Directors as on March 31, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 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, together with the notes thereon, give the information required by the Act, 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, 2004; and
 - ii. In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **Srinivas P & Associates**
Chartered Accountants

Sd/-
P.Srinivas
Partner

Place: Secunderabad
Date : 5th August, 2004.

Annexure to Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Newtech Stewing Telecom Limited for the year ended 31st March, 2004.

- i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation on fixed assets.
- b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical verification.
- c) There was no substantial disposal of fixed assets during the year.
- ii) a) The management has conducted physical verification of inventory at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order, are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been observed in the internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) The transactions made with each of such parties during the year are below rupees five lakhs.
- vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed there under apply.
- vii) The Company has engaged the services of a firm of Chartered Accountants for carrying out its internal audit function which in our opinion, is commensurate with the size and nature of its business.
- viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the products of the company.
- ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance,, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess have generally been regularly deposited by the Company with the appropriate authorities though there has been a short delay in a few cases. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.

- b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year and it has incurred a cash loss of Rs. 7.69 lacs during the current year and no cash loss was incurred in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- xiv) The Company does not deal or trade in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has given corporate guarantee for loan taken by three of its group companies from a financial institutions, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the company.
- xvi) Based on information and explanations given to us by the management, the loans were applied for the purpose for which the said loans were obtained.
- xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2004 we report that no funds raised on short term basis have been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Srinivas P & Associates
Chartered Accountants

Secunderabad.
5ththAugust, 2004.

Sd/-
P. Srinivas
Partner.

Balance Sheet as at 31st March, 2004

	SCHEDULE	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	1,49,51,120	1,49,51,120
Reserves and Surplus	2	1,63,29,522	1,81,18,608
		<u>3,12,80,642</u>	<u>3,30,69,728</u>
LOAN FUNDS:			
Secured Loans	3	20,06,627	94,31,353
Unsecured Loans	4	4,20,000	4,20,000
		<u>24,26,627</u>	<u>98,51,353</u>
Total		<u>3,37,07,269</u>	<u>4,29,21,081</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	5	1,81,27,260	1,81,27,260
Less : Depreciation		1,13,01,780	1,02,36,201
Net Block		<u>68,25,480</u>	<u>78,91,059</u>
INVESTMENTS	6	1,01,74,435	1,01,74,435
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	84,58,692	1,18,84,280
Sundry Debtors	8	1,40,91,764	66,46,522
Cash and Bank Balances	9	57,96,723	1,10,62,357
Loans and Advances	10	12,52,242	93,68,431
		<u>2,95,99,421</u>	<u>3,89,61,590</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	11	1,03,18,375	32,32,259
Provisions	12	67,404	80,83,308
		<u>1,03,85,779</u>	<u>1,13,15,567</u>
Net Current Assets		<u>1,92,13,642</u>	2,76,46,023
Miscellaneous Expenditure	13	2,67,201	3,26,577
Deferred Tax Asset / (Liability)		<u>(27,73,489)</u>	<u>(31,17,013)</u>
Total		<u>3,37,07,269</u>	<u>4,29,21,081</u>
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/-
P.Indrani Prasad
Director

Place : Secunderabad
Date : 05.08.2004

Profit and Loss Account for the Year Ended 31st March, 2004

	SCHEDULE	For the Year ended 31.03.2004 Rs.	For the Year ended 31.03.2003 Rs.
INCOME			
Sales	14	2,00,71,394	1,22,12,121
Accretion / (Decretion) to stocks	15	(33,22,530)	34,26,247
Other Income	16	2,00,828	7,84,688
Total		1,69,49,692	1,64,23,056
EXPENDITURE			
Material Cost	17	96,90,485	61,61,738
Excise Duty		9,37,999	2,03,602
Personnel Expenditure	18	4,49,006	17,17,660
Other Manufacturing Costs	19	10,93,407	5,79,417
Administrative and Selling Expenses	20	46,52,452	47,09,803
Financial Expenses	21	8,94,853	10,30,212
Depreciation		10,65,579	8,67,255
Miscellaneous Expenses Written off		59,376	59,376
Total		1,88,43,157	1,53,29,063
Profit before Taxation		(18,93,465)	10,93,993
Provision for taxation			
– Current		–	2,50,000
– Deferred		–	2,48,331
Prior period adjustments		(2,39,145)	(8,18,271)
		(21,32,610)	(2,22,609)
Profit brought forward from previous year		5,60,211	7,82,820
Surplus transferred to Balance Sheet		(15,72,399)	5,60,211
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
Place : Secunderabad
Date : 05.08.2004

Sd/-
LP Sashikumar
Director

Sd/-
P.Indrani Prasad
Director

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
1: SHARE CAPITAL		
Authorised:		
60,00,000 Equity Shares of Rs.10/- each	<u>6,00,00,000</u>	<u>6,00,00,000</u>
Issued, Subscribed and Paid up:		
1495112 Equity Shares of Rs.10/- each fully paid up	<u>1,49,51,120</u>	<u>1,49,51,120</u>
Total	<u>1,49,51,120</u>	<u>1,49,51,120</u>
2: RESERVES AND SURPLUS		
General Reserve	4,37,117	4,37,117
Capital Reduction	1,71,21,280	1,71,21,280
Surplus:		
Opening Balance	5,60,211	7,82,820
Add : Deferred Tax Liability (+)	3,43,524	
Add : Balance transferred from the Profit and Loss Account	<u>(21,32,610)</u>	<u>(2,22,609)</u>
Balance	<u>(12,28,875)</u>	5,60,211
Total	<u>1,63,29,522</u>	<u>1,81,18,608</u>
3: SECURED LOANS		
Working Capital Advances:		
Cash Credit from State Bank of India	20,06,627	94,31,353
Total	<u>20,06,627</u>	<u>94,31,353</u>
4: UNSECURED LOANS:		
Unsecured loan from others	4,20,000	4,20,000
Total	<u>4,20,000</u>	<u>4,20,000</u>

5: FIXED ASSETS

Amount in Rs.

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2003	Additions during the year	As At 31.03.2004	Upto 01.04.2003	For the year	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Furniture & fixtures	3,74,868	—	3,74,868	3,67,603	7,265	3,74,868	—	7,265
Office equipments	4,37,649	—	4,37,649	2,61,877	20,788	2,82,665	1,54,984	1,75,772
Computers & Software	18,84,624	—	18,84,624	5,12,275	3,05,498	8,17,773	10,66,851	13,72,349
Vehicles	19,010	—	19,010	19,010	—	19,010	—	—
Plant & machinery	1,54,11,109	—	1,54,11,109	90,75,436	7,32,028	98,07,464	56,03,645	63,35,673
Total	1,81,27,260	—	1,81,27,260	1,02,36,201	10,65,579	1,13,01,780	68,25,480	78,91,059
Previous Year	1,81,27,260	—	1,81,27,260	93,68,946	8,67,255	1,02,36,201	78,91,059	87,58,314

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
6: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
Goldstone Teleservices Limited 50,000 Nos. Equity Shares of Rs. 4/- each, fully paid up (Market Value as at 31.03.04 @ Rs. 4.80 per share - Rs. 2,40,000/-)	6,08,700	6,08,700
G R Cables Limited 13,42,857 Nos. of Equity Shares of RS. 10/- each, fully paid up (Market Value as at 31.03.04 @ Rs. 2.05 per share - Rs. 27,52,857/-)	94,00,000	94,00,000
Bharti Televentures Limited 3,683 Nos. of Equity Shares of Rs. 10/- each, fully paid up (Market Value as at 31.03.04 @ Rs. 155.80 per share - Rs. 5,73,812/-)	1,65,735	1,65,735
Total	1,01,74,435	1,01,74,435
7: INVENTORIES (As Certified by the Management)		
Components and Packing Materials (at cost)	54,77,198	44,89,186
Raw materials (at cost)	0	10,91,070
Work-in-process- Sleeves (at cost)	29,81,494	63,04,024
Total	84,58,692	1,18,84,280
8: SUNDRY DEBTORS (Unsecured, considered good)		
a. Debts outstanding for a period exceeding six months	20,34,223	33,04,632
b. Other Debts	1,20,57,541	33,41,890
Total	1,40,91,764	66,46,522
9: CASH & BANK BALANCES		
Cash on hand	1,229	1,230
Balances with Scheduled Banks:		
– In Current Accounts	27,06,462	23,68,317
– In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	30,89,032	86,92,810
Total	57,96,723	1,10,62,357

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
10: LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	11,25,063	13,98,149
Advances to suppliers	-	9,870
Advances to Staff	2,000	5,000
Balance with Govt bodies	292	5,72,272
Deposits	10,000	10,000
Advance Tax	-	69,79,430
Tax deducted at source	1,14,887	3,69,234
Prepaid Expenses	-	24,476
Total	<u>12,52,242</u>	<u>93,68,431</u>
11: CURRENT LIABILITIES		
Sundry Creditors		
- Dues of Small Scale Industrial undertakings	12,46,650	34,137
- Others	66,53,546	12,14,456
Statutory Liabilities	7,53,334	2,392
Other liabilities	16,64,845	19,81,274
Total	<u>1,03,18,375</u>	<u>32,32,259</u>
12: PROVISIONS		
Provision for Taxation	-	7,714,975
Proposed Dividend	-	2,88,360
Provision for Staff Benefit Scheme:		
- For Gratuity	53,238	63,123
- For Earned Leave Encashment	14,166	16,850
Total	<u>67,404</u>	<u>80,83,308</u>
13: MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	3,26,577	3,85,953
Less : Written off during the year	59,376	59,376
Total	<u>2,67,201</u>	<u>3,26,577</u>

Schedules Forming Part of the Accounts

	For the Year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
14: SALES		
– Domestic	2,00,71,394	1,22,12,121
– Exports	–	–
Total	2,00,71,394	1,22,12,121
15: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	29,81,494	63,04,024
Less : Opening Stock of WIP & Finished Goods	63,04,024	28,77,777
Total	(33,22,530)	34,26,247
16: OTHER INCOME		
Insurance Claims received	4,835	–
Interest on Fixed Deposits	1,95,993	7,16,991
Dividend Received	–	58,603
Miscellaneous Income	–	9,094
Total	2,00,828	7,84,688
17: MATERIAL COST		
Opening Stock	55,80,256	29,05,303
Purchases:		
– Kit Components	81,71,526	56,90,776
– Packing Materials	8,66,280	7,68,891
– Imported Raw materials	5,49,516	23,12,247
Other Purchase costs	105	64,777
	1,51,67,683	1,17,41,994
Less : Closing Stock	54,77,198	55,80,256
Total	96,90,485	61,61,738
18: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	4,32,909	16,35,782
Staff Welfare	16,097	81,878
Total	4,49,006	17,17,660
19: OTHER MANUFACTURING EXPENSES		
Power and fuel	6,97,346	2,76,445
Consumables	26,868	33,609
Repairs and Maintenance		
– Plant and Machinery	6,258	55,044
– Buildings	–	4,363
– Others	200	1,02,584
Testing and Inspection Charges	2,40,400	70,638
Job Work Charges	1,22,335	36,734
Total	10,93,407	5,79,417

Schedules Forming Part of the Accounts

	For the Year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
20: ADMINISTRATIVE AND SELLING EXPENSES		
Advertisement	–	44,188
Electricity	2,05,140	83,569
Rent	1,36,620	196,610
Legal Fees	2,000	21,842
Printing and Stationery	485	69,284
Tender Expenses	46,041	55,363
Postage, Telephones and Internet	4,19,975	218,815
Insurance	1,27,002	120,852
Professional and Consultancy	11,70,283	942,963
Fees, Rates and Taxes	13,476	19,348
Gifts and Donations	–	2,895
Vehicle Maintenance	6,15,500	196,426
Travelling Expenses		
– Directors	–	10,268
– Others	–	268,225
Conveyance	2,48,051	118,666
Carriage Outward	3,87,456	242,185
Sales Tax	7,75,165	505,087
Auditors Remuneration	75,000	75,000
Business Promotion	1,82,434	56,927
Office Maintenance	–	45,480
Miscellaneous Expenses	19,403	268,121
Security Charges	–	48,908
Commission & Brokerage	–	5,83,270
Liquidated damages	2,28,421	–
Loss on Sale of Investments	–	515,511
Total	46,52,452	4,709,803
21: FINANCIAL EXPENSES		
Interest on Working Capital Loan	5,43,115	531,492
Bank Charges & Commission	3,51,738	312,470
Other Finance Charges	–	186,250
Total	8,94,853	1,030,212

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.

Schedules Forming Part of the Accounts

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 5,27,505/- shown in the Profit & Loss account is the net amount of the expenditure and incomes pertaining to earlier years including Rs. 6,54,705/-towards short provision made for

income tax, Rs. 35,888/- towards price variation amount paid to BSNL , Rs. 10,933/- short provision made for Sales Tax and Rs.9,873/- on account of sundry parties balances written off.and Rs. 1,83,894/-towards interest on fixed deposits pertains to the previous years.

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 31.03.04	As at 31.03.03
1. Contingent Liabilities :		
Bank Guarantees issued by State Bank of India towards Performance Guarantees on behalf of the Company	78.34	140.41
2. Estimated amount of contracts to be executed on Capital Account and not provided for	4.75	4.75

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/-
P.Indrani Prasad
Director

Place : Hyderabad
Date : 05.08.2004

Schedules Forming Part of the Accounts

		For the year ended 31.03.2004	For the year ended 31.03.2003
Schedule : 23 (Contd..)			
ADDITIONAL INFORMATION REQUIRED AS PER PARA 3 & 4 OF PART II			
Licensed & Installed Capacities			
Licensed capacity	(Nos)		
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	5,00,000	5,00,000
Installed Capacity	(Nos)		
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	4,00,000	4,00,000
Production			
– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	1,19,020	14,364
Purchase of Components & Rawmaterials	Value (Rs.)	95,87,427	88,36,691
Production of Cable Jointing Kits	(Nos)	1,31,845	26,448
Turnover			
– Sales of kits	(Nos)	1,31,845	26,448
	Value (Rs.)	2,00,71,394	1,21,12,121
		<u>2,00,71,394</u>	<u>1,22,12,121</u>
Opening & Closing Stocks			
Opening Stock			
– Manufactured Sleeves	(Nos)	19,506	31,590
	Value (Rs.)	12,68,248	12,99,674
– Work in process	Value (Rs.)	50,35,776	15,78,103
– Purchased Components & Rawmaterials	Value (Rs.)	55,80,256	29,05,303
	Total	<u>1,18,84,280</u>	<u>57,83,080</u>
Closing Stock			
– Manufactured Sleeves	(Nos)	6,681	19,506
	Value (Rs.)	3,70,281	12,68,248
– Work in process	Value (Rs.)	26,11,214	50,35,776
– Purchased Components & Rawmaterials	Value (Rs.)	54,77,198	55,80,256
	Total	<u>84,58,693</u>	<u>1,18,84,280</u>

Schedules Forming Part of the Accounts

		For the year ended 31.03.2004	For the year ended 31.03.2003
Schedule : 23 (Contd..)			
Raw Materials Consumption			
– Hotmelt Adhesive	Kgs	6,880	2,920
	Value (Rs.)	12,35,574	5,03,826
– Granules	Kgs	5,000	10,000
	Value (Rs.)	3,70,582	7,39,541
– Others	Value (Rs.)	8,08,439	49,18,371
	Total	96,90,485	61,61,738
Consumption of Imported & Indegenous Materials			
– Imported Materials	Value (Rs.)	14,27,222	12,43,367
	%	14.73	20.18
– Indegenous Materials	Value (Rs.)	82,63,263	49,18,371
	%	85.27	79.82
Total	Value (Rs.)	96,90,485	61,61,738
	%	100	100
Foreign Exchange Transactions			
Value of Imports on CIF Basis			
– Raw materials	Value (Rs.)	–	11,21,815
Auditors's Remuneration			
Audit Fee	(Rs.)	75,000	75,000
		75,000	75,000

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/-
P.Indrani Prasad
Director

Directors' Report

To
The Members
Shree Shree Telecom Private Limited

Your Directors have pleasure in presenting the Fourth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2004.

Financial Results

Particulars	Rs in Lakhs	
	2003-04	2002-03
Net Sales/Income from		
Operations	41.33	10.16
Other Income	0.59	2.61
Total Income	41.92	12.77
Operating Profit/Loss (PBIDT)	(24.82)	(1.52)
Interest	1.26	2.53
Depreciation and Write Offs	1.19	1.19
Profit Before Tax	(27.27)	(5.24)
Provision for Tax		
- Current	-	-
- Deferred	-	0.85
Profit after Tax	(27.27)	(6.09)
Equity Share Capital	190.00	190.00
Tangible Net Worth	173.21	201.10

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.

Directors

Ms. Sunitha Prasad and Ms. Indrani Prasad were appointed as Directors of the company. Mr. L.P. Sashikumar, Ms. Mahita Caddell and Mr. J.A. Rao were resigned as Directors of the company during the year. Mr PVS Sharma was appointed as Alternate Director to Ms. Sunitha Prasad Director of the company.

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 2004, 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 2004 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 2004 have been prepared on a going concern basis.

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

Disclosure of particulars in respect of conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under companies (Disclosure of particulars in the Directors Report) Rules 1988.

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

Foreign Exchange Earnings and Outgo: NIL

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

Sd/-

Place : Secunderabad
Date : 05.08.2004

P.Indrani Prasad
Director

Auditors' Report

TO THE MEMBERS OF SHREE SHREE TELECOM PRIVATE LIMITED:

1. We have audited the attached Balance Sheet of Shree Shree Telecom Private Limited as at 31st March, 2004 and also 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 misstatements. 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 Companies Auditors' Report Order, 2003, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to 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 Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
- e) On the basis of written representations received from the Directors as on March 31, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 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, together with the notes thereon, give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
- g) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;

In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and

In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For Boppudi & Associates
Chartered Accountants

Sd/-
B. Appa Rao
Proprietor.

Place: Secunderabad
Date : 5th August, 2004.

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Shree Shree Telecom Private Limited for the year ended 31st March, 2004.

- (i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation on fixed assets.
- b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical verification.
- c) There was no substantial disposal of fixed assets during the year.
- (ii) a) The management has conducted physical verification of inventory at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- (iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been observed in the internal controls.
- (v) a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) The transactions made with each of such parties during the year are below rupees five lakhs.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed there under apply.
- (vii) The Company has engaged the services of a firm of Chartered Accountants for carrying out its internal audit function which in our opinion, is commensurate with the size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the products of the company.

- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance,, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess have generally been regularly deposited by the Company with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has accumulated losses at the end of the financial year and it has incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given corporate guarantee to any one.
- (xvi) Based on information and explanations given to us by the management, the company has not obtained any loan from banks or Institutions.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2004 we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Boppudi & Associates
Chartered Accountants

Sd/-
B. Appa Rao
Proprietor.

Place : Secunderabad
Date : 5th August, 2004.

Balance Sheet as at 31st March, 2004

	SCHEDULE	As at 31.03.2004 Rs	As at 31.03.2003 Rs
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	1,90,00,000	1,90,00,000
Reserves and Surplus	2	–	11,26,670
Total		1,90,00,000	2,01,26,670
Total		1,90,00,000	2,01,26,670
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	3	24,54,697	24,54,697
Less: Depreciation		4,05,788	2,89,190
Net Block		20,48,909	21,65,507
INVESTMENTS	4	2,02,60,000	2,02,60,000
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	5,34,462	5,53,559
Sundry Debtors	6	41,30,910	79,227
Cash and Bank Balance	7	48,87,191	51,63,538
Loans and Advances	8	11,27,585	17,63,116
Total		1,06,80,148	75,59,440
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	9	1,52,18,774	88,79,732
Provisions	10	–	5,83,707
Total		1,52,18,774	94,63,439
Net Current Assets		(45,38,626)	(19,03,999)
Miscellaneous Expenditure	11	14,673	17,117
Profit and Loss A/c		16,79,274	–
Deferred Tax Assets / (Liabilities)		(4,64,230)	(4,11,955)
Total		1,90,00,000	2,01,26,670
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/-
Indrani Prasad
Director

Sd/-
P.V.S.Sarma
Director

Place : Secunderabad
Date : 05.08.2004

Profit and Loss Account for the Year ended 31st March, 2004

	SCHEDULE	For the Year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
INCOME			
Sales	12	41,33,059	10,16,000
Other Income	13	58,839	2,60,596
	Total	41,91,898	12,76,596
EXPENDITURE			
Material Cost	14	34,43,803	2,92,119
Excise Duty		2,35,737	22,112
Personnel Expenditure	15	8,48,339	5,642
Other Manufacturing Costs	16	3,08,581	58,537
Administrative and Selling Expenses	17	18,37,333	10,49,938
Financial Expenses	18	1,26,490	2,53,277
Depreciation		1,16,598	1,16,598
Miscellaneous Expenses Written off		2,444	2,444
	Total	69,19,325	18,00,667
Profit / (Loss) before Taxation		(27,27,427)	(5,24,071)
Provision for taxation			
- Current		-	-
- Deferred		-	85,683
Profit / (Loss) after tax for the year		(27,27,427)	(6,09,754)
Prior period adjustments (-)		26,242	84,582
		(27,53,669)	(5,25,172)
Profit brought forward from the previous year		11,26,670	16,51,842
Profit Transferred to Balance Sheet		(16,26,999)	11,26,670
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/-
Indrani Prasad
Director

Sd/-
P.V.S.Sarma
Director

Place : Secunderabad
Date : 05.08.2004

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
1: SHARE CAPITAL		
Authorised:		
1,50,000 Equity Shares of Rs. 10/- each	<u>15,00,000</u>	<u>15,00,000</u>
Issued, Subscribed and Paid up:		
1,50,000 Equity Shares of Rs. 10/- each fully paid up	<u>15,00,000</u>	<u>15,00,000</u>
Share application money received	<u>1,75,00,000</u>	<u>1,75,00,000</u>
Total	<u><u>1,90,00,000</u></u>	<u><u>1,90,00,000</u></u>
2: RESERVES AND SURPLUS		
Surplus:		
Opening Balance	11,26,670	16,51,842
Less accumulated deferred tax liability	52,275	-
Add : Balance transfer from the Profit and Loss A/c	<u>(27,53,669)</u>	<u>(5,25,172)</u>
Balance	<u>(16,79,274)</u>	<u>11,26,670</u>
Total	<u><u>(16,79,274)</u></u>	<u><u>11,26,670</u></u>

3: FIXED ASSETS

Amount in Rs.

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.03 Rs.	Additions during the year Rs.	As on 31.03.04 Rs.	Upto 01.04.03 Rs.	For the year Rs.	As on 31.03.04 Rs.	As on 31.03.04 Rs.	As on 31.03.03 Rs.
Electrical Equipment	89,988	-	89,988	10,677	4,274	14,951	75,037	79,311
Electrical Installation	22,853	-	22,853	2,712	1,086	3,798	19,055	20,141
Plant & Machinery	22,23,475	-	22,23,475	2,61,780	1,05,615	3,67,395	18,56,080	19,61,695
Lab tools and Equipment	1,18,381	-	1,18,381	14,020	5,623	19,643	98,738	1,04,361
Total	24,54,697	-	24,54,697	2,89,189	1,16,598	4,05,787	20,48,910	21,65,508
Previous period	24,54,697	-	24,54,697	1,72,591	1,16,598	2,89,189	21,65,508	22,82,106

4: INVESTMENTS

Trade (Quoted, Long-term)

G R Cables Ltd Shares 18,43,333 Nos.
@ 10/- each fully paid up
(Market Value as at 31.03.04
@ Rs. 2.05 per share - Rs. 37,78,833/-)

2,02,60,000	2,02,60,000
<u>2,02,60,000</u>	<u>2,02,60,000</u>

5: INVENTORIES

(As Certified by the Management)

Components and Packing Materials (at cost)
Raw materials (at cost)
Work-in-process- Sleeves (at cost)

5,34,462	69,521
-	-
-	4,84,038
<u>5,34,462</u>	<u>5,53,559</u>

Total

Schedules Forming Part of the Accounts

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
6: SUNDRY DEBTORS (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	-	-
Other Debts	41,30,910	79,227
Total	41,30,910	79,227
7: CASH & BANK BALANCES		
Balances with Scheduled Banks:		
- In Current Accounts	46,574	3,83,154
- In Fixed Deposits against Bank Guarantees	48,40,617	47,80,384
Total	48,87,191	51,63,538
8: LOANS & ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	9,43,109	10,40,241
Advance to suppliers	-	982
Balance with Govt. bodies	328	11,662
Deposits	1,15,000	1,09,000
Advance Tax	69,148	6,01,231
Total	11,27,585	17,63,116
9: CURRENT LIABILITIES		
Sundry Creditors		
Dues to Small Scale Industrial undertakings	2,54,997	-
Others	29,82,611	3,380
Statutory Liabilities	3,49,394	8,230
Other liabilities	1,16,31,772	88,68,122
Total	1,52,18,774	88,79,732
10: PROVISIONS		
Provision for Taxation	-	5,83,707
Total	-	5,83,707
11: MISCELLANEOUS EXPENDITURE		
Preliminary Expenditure	17,117	
Less : Written Off During the year	2,444	
Total	14,673	17,117
12: SALES		
- Domestic	41,33,059	10,16,000
Total	41,33,059	10,16,000
13: OTHER INCOME		
Interest on Fixed Deposits	58,839	1,73,168
Interest earned	-	15,063
Insurance Claims	-	72,365
Total	58,839	2,60,596
14: MATERIAL COST		
Opening Stock	5,53,559	513,602
Purchases:		
- Raw materials	4,77,878	74,267
- Kit Components	25,95,164	226,494
- Packing Materials	3,51,624	31,115
Other Purchase costs	40	200
	39,78,265	845,678
Less: Closing Stock	5,34,462	553,559
Total	34,43,803	292,119

Schedules Forming Part of the Accounts

	For the year ended 31.03.2004 Rs.	For the year ended 31.03.2003 Rs.
15: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	8,05,202	2,184
Staff Welfare	43,137	3,458
Total	8,48,339	5,642
16: OTHER MANUFACTURING EXPENSES		
Power and fuel	2,02,336	40,433
Consumables	-	978
Repairs and Maintenance		
- Plant and Machinery	31,406	-
- Buildings	5,079	-
- Others	50,152	9,656
Testing and Inspection Charges	19,608	7,470
Total	3,08,581	58,537
17: ADMINISTRATIVE AND SELLING EXPENSES		
Advertisement	6,088	-
Electricity Charges- office	44,719	-
Rent	3,06,833	2,40,000
Legal Fees	9,851	-
Printing and Stationery	17,357	24,844
Tender Expenses	33,143	37,177
Postage ,Telephones and Internet	1,02,904	5,865
Insurance	14,364	1,747
Professional and Consultancy	2,26,378	5,07,300
Fees, Rates and Taxes	1,23,980	11,928
Gifts and Donations	3,275	-
Vehicle Maintenance	1,26,285	-
Travelling Expenses	1,19,674	-
Conveyance	86,186	-
Carriage Outward	54,925	13,000
Sales Tax	1,58,964	39,077
Auditors Remuneration	20,000	20,000
Business Promotion	37,445	1,128
Office Maintenance	22,101	-
Miscellaneous Expenses	1,59,060	63,603
Security Charges	1,36,874	84,269
Liquidated Damage Charges	26,927	-
Total	18,37,333	10,49,938
18: FINANCIAL EXPENSES		
Bank Charges	36,286	30,844
Bank Commission	90,204	2,22,433
Total	1,26,490	2,53,277

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 not made during the year since there is no 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.58,839/- (Previous year Rs. 1,73,168/-) 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 1.4.2004 amounting to Rs.52275/- (Previous year Rs 85,683/-) 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. 31,24,522/- (Previous Year Rs 68,71,060/-)

As per our report of even date

For and on behalf of the Board

For Boppudi & Associates

Chartered Accountants

Sd/- B.Apparao Proprietor	Sd/- P. Indrani Prasad Director	Sd/- P.V.S.Sarma Director
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Place : Secunderabad

Date : 05.08.2004

Schedules Forming Part of the Accounts

Schedule 20 : Continued

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

		For the Year ended 31.03.2004	For the Year ended 31.03.2003
Licensed & Installed Capacities: HS Sleeves	(Nos)	4,00,000	4,00,000
Production			
– Heat Shrinkable Sleeves for Telecom Cable Jointing Kits	(Nos)	32,178	3,170
Purchase of Components & Raw materials	Value (Rs.)	34,24,706	3,32,076
Production of Cable Jointing Kits	(Nos)	32,192	3,175
Turnover			
– Jointing kits	(Nos)	32,192	3,175
	Value (Rs.)	41,33,059	10,16,000
Opening Stocks			
– Manufactured Sleeves	(Nos)	24	29
	Value (Rs.)	2,382	1,871
– Work in Progress	Value (Rs.)	4,81,656	1,62,235
– Components & Raw materials	Value (Rs.)	69,521	3,49,497
Closing Stock			
– Manufactured Sleeves	(Nos)	10	24
	Value (Rs.)	424	2,382
– Work in Progress	Value (Rs.)	54,436	4,81,656
– Components & Raw materials	Value (Rs.)	4,79,603	69,521
		5,34,463	5,53,559
Raw Materials Consumed			
– Hotmelt Adhesive	Kgs	3,000	250
	Value (Rs.)	2,98,224	47,347
– Profile	Kgs	2,400	300
	Value (Rs.)	1,79,654	26,920
– Others	Value (Rs.)	28,65,925	2,17,852
		33,43,803	2,92,119
Consumption of Imported & Indigenous Materials			
– Imported Materials	Value (Rs.)	–	47,347
	%	–	16.21%
– Indigenous Materials	Value (Rs.)	33,43,803	2,44,772
	%	100.00%	83.79%
– Total	Value (Rs.)	33,43,803	2,92,119
	%	100%	100%
Auditors' Remuneration			
Audit Fee		12,500	12,500
Taxation Matters		7,500	7,500
		20,000	20,000

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

B.Apparao
Proprietor
Place : Secunderabad
Date : 5th August, 2004

On behalf of the Board

Sd/-
P. Indrani Prasad
Director

Sd/-
P.V.S. Sarma
Director