



***Second Annual Report 2001–2002***

Board of Directors	
Mr.Gopalakrishna	Chairman
Mr.L.P.Srinivasarao	Managing Director
Mr.J.A.Rao	Director
Mr.K.Vasudeva Rao	Director
Mr.K.Krishnan Kulk	Director
Mr. P. Ramani Babu	Director

Registered Office	Factory
9-1-83 & 84 Amarchand Sharma Complex, S D Road, Secunderanad-500 003	Plot No. 1 & 9, IDA , Phase II Cherlapally Hyderabad-500051

Bankers to the Company
State Bank of Hyderabad Punjagutta Branch Hyderabad-500482

Statutory Auditors	Internal Auditors
Srivas & Pramodkumar Chartered Accountants C-16, IVA Block, Bharani Complex, Minister Road Secunderabad-500003.	CKS Associates # 87 Nagarjuna, Road #3 Gaganmahal Colony, Hyderabad-500029.



## Notice

Notice is hereby given that the Second Annual General Meeting of the Company will be held on Monday, the 30th day of September, 2002 at 10.00 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad-500 051, to transact the following business:

### **ORDINARY BUSINESS:**

1. To consider and adopt the Audited Profit and Loss Account for the period ended 31st March, 2002 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares of the Company for the period ended 31st March 2002.
3. To appoint a Director in place of Shri K K Krishnan Kutty, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri J. A. Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. Srivas & Pramodkumar, Chartered Accountants, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board".

### **SPECIAL BUSINESS:**

#### **6. APPOINTMENT OF DIRECTOR**

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

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

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

#### **7. AUTHORISATION TO BOARD OF DIRECTORS TO BORROW**

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

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

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

For and on behalf of the Board

Place : Secunderabad  
Date : 31st August 2002

**M. Gopalakrishna**  
Chairman



## Notes

- a) The Explanatory Statement relating to Item Numbers 6 to 7 of the Special Business of the Meeting referred to above is annexed to this Notice as required by Section 173(2) of the Companies Act, 1956.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from 25th September 2002 to 30th September 2002 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.
- d) The Members are requested to intimate to the Company at 9-1-83 & 84, Amarchand Sharma Complex, S.D.Road, Secunderabad – 500 003, changes, if any, in their Registered address along with Pin Code number.
- e) Members who are having multiple Folios with identical names are requested to inform Folio Numbers, to enable the Company to consolidate the same into Single Folio.
- f) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- g) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.

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

### ITEM NO.6:

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

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

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

Your Directors recommend the resolution for approval of the members.

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

### ITEM NO 7:

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

Your Directors recommend the resolution for approval of the members.

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

For and on behalf of the Board

Place : Secunderabad  
Date : 31st August, 2002

**M Gopalakrishna**  
Chairman



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

### **Dr K. K. Krishnan Kutty**

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

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

### **J A Rao**

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



## Directors' Report

To  
The Members  
Goldstone Teleservices Limited

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

### Financial Results

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

### Dividend

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

### Review of Operations

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

### Future Plans

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

### Subsidiaries

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



# Goldstone Teleservices Limited

## Newtech Stewing Telecom Limited

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

### Combined results

## Shree Shree Telecom Limited

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

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

Rs. in Lakhs

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

### Human Resources

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

### Particulars of Employees

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

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

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

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

### Auditors

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

### Directors

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



## Listing of Shares

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

## Fixed deposits

The Company has not accepted any Fixed Deposits, falling within the purview of Section 58A of the Companies Act, 1956.

## Insurance

All the properties of your Company including its building, plant & machinery and stocks have been adequately insured.

## Issue of Equity Warrants

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

## Directors' Responsibility Statement

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

- That in the preparation of the Accounts for the nine months period ending 31st March, 2002, the applicable accounting standards have been followed and there are no material departures therefrom.
- That the accounting policies have been selected and applied consistently and

judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2002 and of the profit or loss of the Company for the period ended on that date.

- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the accounts for the nine months period ended 31st March 2002 have been prepared on a going concern basis.

## Acknowledgements

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

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve excellent results and performance during the year. Your Directors thank the shareholders for their support and confidence reposed in the company and the management and look forward to their continued co-operation and support.

For and on behalf of the Board

Place : Secunderabad

Date : 31st August 2002

**M Gopalakrishna**  
Chairman

## Annexure I to Director's Report

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





## Annexure II to Directors' Report

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

**A. CONSERVATION OF ENERGY****a) Energy conservation measures taken or under implementation**

- Continuous running of the sleeve manufacturing plant

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

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

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

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

**The total energy consumption per unit of production**

- Not applicable

**B. TECHNOLOGY ABSORPTION: RESEARCH AND DEVELOPMENT****1. Specific Areas in which R & D carried out by the Company**

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

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

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

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

**3. Future Plan of Action**

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

**4. Expenditure on R & D : Rs. 8.90 lakhs****b. Technology Absorption, adaptation and innovation**

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

**C. FOREIGN EXCHANGE EARNINGS AND OUT GO****Foreign Exchange Transactions:**

(Amounts in Rs. Lakhs)

For the period ended

**31.03.2002 30.06.2001**

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



# Management Discussion and Analysis of Results of Operations and Financial Condition

### Overview

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

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

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

### Fiscal

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

### Industry Structure and developments

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

### Opportunities

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

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

### Threats

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

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

### Outlook

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

### Risks and Concerns

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

**Internal Control System and its Adequacy**

The Company has adequate internal control systems and procedures with regards to purchase of stores, raw materials including components, plant and machinery, equipment, other assets, sales and expenditure.

The Company has clearly defined roles and responsibilities for all managerial positions and all operating parameters are monitored and controlled regularly.

The Company has an internal audit system commensurate with its size and nature of its business. The Company has employed a firm of Chartered Accountants for its internal audit and control information. Periodic reports of Internal Auditors are reviewed in the meeting of Audit Committee of the Board. Compliance with laws and regulations is also ensured and confirmed by the internal auditors of the Company. Standard operating procedures and guidelines are issued from time to time to support best practices for internal control.

**Financial Performance & Operational Performance:****A. Financial Condition:****Capital Structure:**

Equity Share Capital of the Company as on 31st March 2002 is at Rs. 433.60 Lacs comprising of 10840150 Equity Shares of Rs. 4/- each fully paid. There are outstanding equity warrants of 30,00,000 subscribed by the promoters & associates and allotted to them on 30th March 2002. GTSL has received equity warrant application money for the same at Rs. 1.70 ps. per warrant aggregating to Rs.51.00 lakhs and shown as Share Warrant Application Money received under Share Capital.

**Reserves and Surplus:**

The Reserves and Surplus of the Company as on 31st March 2002 stands at Rs.2038.59 lakhs compared to Rs.2118.12 lakhs as on 30th June 2001. The reduction in the reserves is on account of accumulated deferred tax liability of Rs.168.88 lakhs provided as per Accounting Standard 22.

**Secured Loans:**

The working Capital advances as on 31st March 2002 stand at Rs.183.18 lakhs compared to Rs.362.72 lakhs as on 30th June 2001. The reduction is on account of increased cash flow utilised for repaying the working capital advances.

**Unsecured Loans:**

The Sales Tax Deferment as on 31st March 2002 stands at Rs.381.95 lakhs compared to Rs.316.00 lakhs as on 30th June 2001. The increase is on account of deferment provided as per the eligibility fixed by Commissioner of Industries, Andhra Pradesh, Hyderabad.

**Fixed Assets:**

During the year, the Company added Rs.14.97 lakhs in Fixed Assets. The gross block stood at Rs. 1453.11 lakhs and net block stood at Rs.1101.95 lakhs as on 31st March 2002.

**Investments:**

Investments as on 31st March 2002, amounted to Rs.951.47 lakhs as against Rs.916.47 lakhs as on 30th June 2001 with net increase of Rs.35 lakhs. Of the above, the investments in subsidiaries are Rs.390.50 lakhs and the balance of Rs.560.97 lakhs is in the form of current investments.

**Inventories:**

Inventories as on 31st March 2002, amounted to Rs.86.05 lakhs as against Rs.424.32 lakhs as on 30th June 2001. Reduction in inventories is on account of clearing of finished product for completion of orders and proper inventory management to avoid dead stock at the end of the season.

**Sundry Debtors:**

Sundry Debtors amounted to Rs.300.84 lakhs as on 31st March 2002 as against Rs. 261.66 lakhs as on 30th June 2001. These debtors are considered good and debts realizable.

**Cash and Bank Balances:**

Cash and Bank balances with scheduled banks as on 31st March, 2002 amounting to Rs.783.83 lakhs (includes Margin Money Deposit amounting to Rs.252.34 lakhs) against Rs.280.87 lakhs as on 30th June, 2001



(includes Margin Money Deposit amounting to Rs.239.41 lakhs). The long-term cash flow i.e., profits, Depreciation and sales tax deferment has been invested in Bank deposits.

### **Loans and Advances:**

Loans and Advances as on 31st March 2002 include Rs.521.46 lakhs as against Rs.657.04 lakhs as on 30th June 2001 representing advances paid to suppliers, advance tax, capital advances etc.

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

Sundry Creditors represent the amount payable to vendors for supply of goods amounting to Rs. 280.73 lakhs as on 31st March 2002 as against 419.87 lakhs as on 30th June 2001.

Provisions for dividend, tax, and deferred tax etc., amount to Rs. 382.40 lakhs as on 31st March, 2002 as against Rs. 50.00 lakhs as on 30th June, 2001.

## **B. Operational Results:**

### **Revenue:**

During the year, the turnover of the Company increased to Rs.1751.99 lakhs compared to Rs.1268.10 lakhs in the previous year.

The other income for the year was Rs. 90.81 lakhs as compared to Rs.40.35 lakhs in the previous year.

### **Expenditure:**

During the year, the Company incurred expenses amounting to Rs.1400.88 lakhs as compared to Rs.1035.59 lakhs in the previous year. The annualised manufacturing expenses has decreased as a percentage of sales due to backward integration and lower cost of materials.

### **Financial Charges:**

The Company has incurred a sum of Rs.34.45 lakhs towards Financial Charges for the year as against Rs. 30.27 lakhs in the previous year.

### **Depreciation:**

The Company has provided a sum of Rs.61.22 lakhs towards depreciation for the year as against Rs. 36.24 lakhs in the previous year.

### **Provision for Tax:**

The Company has provided a sum of Rs. 45.50 lakhs towards Provision for Income Tax as against Rs. 50.00 lakhs in the previous year.

### **Net Profit:**

The net profit after tax is Rs. 300.25 lakhs as against Rs.155.23 lakhs in the previous year indicating an increase of Rs. 145.02 lakhs.

### **Earning Per Share:**

The Earning Per Share of the Company for the year is Rs. 2.77 ps. per share of face value Rs.4/- as against Rs. 1.43 ps. in the previous year.

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

As on 31st March, 2002, the Company has a total strength of 126 employees.

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

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

### **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 could 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.



## Report on Corporate Governance

### Company's Philosophy on Code of Governance

The Code of Corporate Governance is applicable to the Company as stipulated in Clause 49 of the Listing Agreement of the concerned Stock Exchanges.

Goldstone Teleservices Limited believes in good Corporate Governance to enhance long-term shareholders value. Your Company desires to induct professional Non-Executive Directors on the Board and ensure greater transparency, debate and discussions in the process of decision-making, direction, review, control and superintendence of the Company. It is accordingly adhering to the tenets of good governance.

### Board of Directors

The Company has a Non-Executive Chairman. The Board of the Company has a combination of executive and non-executive directors with more than fifty percent of the Board comprising of non-executive directors.

### Composition and Category of Directors as on 31st March 2002.

Category	No. of Directors	Percentage
Executive	2	40
Non-Executive /Independent	3	60
Total	5	100

Attendance of each director at the Board Meetings held during the Financial Year of Nine Months commencing from 1st July 2001 to 31st March 2002 and the last AGM and the Membership on other Board of Directors or Board Committees.

Name of Director	Designation	No. of Board Meetings Held	No. of Board Meetings Attended	Other Directorships/ Memberships	Last AGM Attendance
K K Krishnan Kutty	Director	6	4	5	Present
L P Sashikumar	Managing Director	6	5	6	Present
J A Rao	Director	6	6	4	Present
K Vasudeva Rao	Director	6	6	1	Present
M Gopalakrishna	Director	6	4	7	Present

### Number of Board Meetings held and dates on which they were held during 2001-02

Quarters	No. of Meetings	Dates on which held
July-September	2	20/08/2001, 29/09/2001
October-December	2	01/11/2001, 23/11/2001
January-March	2	16/01/2002, 30/03/2002
April-June	N A	Consequent to Change of present Accounting year for nine months period only from 1st July 2001 to 31st March 2002, the Company had three quarters only.



## Audit Committee

The Audit Committee has been entrusted to overview the accounting systems, accounting Standards, financial reporting and internal controls etc. The power and role of Audit Committee is as per the listing agreement and the provisions of the Companies Act, 1956.

## Terms of reference

The terms of reference of the Audit Committee are in line with the provisions made in paragraphs C & D in sub-clause II of the Listing Agreement with the Stock Exchanges on which Goldstone Teleservices Limited equity shares are listed, which inter alia includes the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of External Auditors, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with management, the quarterly, Half-yearly and annual financial statements before submission to the Board of Directors, focusing primarily on accounting policies and practices, major accounting entries, qualification in Audit Reports, compliance of Accounting Standards, compliance with Stock Exchanges and regulatory authorities, etc.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Reviewing the Company's financial and risk management policies.
7. Any other functions, as may be delegated by the Board, from time to time.

## Composition:

The following are the members of the Committee:

1. Mr. M Gopalakrishna– Chairman (Independent Director)
2. Dr K K Krishnan Kutty – Member (Independent Director)
3. Mr. J A Rao – Member (Independent Director)

## Meeting of the Audit Committee:

The Audit Committee met 4 times:

S.No	Name of the Member	No. of Meetings attended
1	Mr. M Gopala Krishna	4
2	Dr. K K Krishnan Kutty	3
3	Mr. J A Rao	4

**Remuneration/Compensation Committee**

The Remuneration Committee determines the Company's Policy on specific remuneration packages for Managing/Executive Director(s) including pension rights, performance bonus, perquisites, any compensation payment and other related matters. This committee shall also functions as Compensation Committee to determine the Company's policy on specific remuneration packages for all employees, formulate detailed terms and conditions relating to Stock Options as mentioned in Clause 5(3) & (4) of the SEBI (ESOS and ESPS) Guidelines 1999, and other ESOP related matters.

**Composition:**

The following are the members of the Remuneration/Compensation Committee:

1. Mr. M Gopalakrishna– Chairman (Independent Director)
2. Dr K K Krishnan Kutty – Member (Independent Director)
3. Mr. J A Rao – Member (Independent Director)

**Meeting of the Remuneration/Compensation Committee:**

The Remuneration/Compensation Committee met 2 times on the following dates:

20th August 2001, 16th January 2002

S.No	Name of the Member	No. of Meetings Attended
1	Mr. M Gopala Krishna	2
2	Dr. K K Krishnan Kutty	2
3	Mr. J A Rao	2

**Details of remuneration to all the directors in the financial year 2001-2002**

The details of remuneration paid to Managing/Executive Directors is as follows:

Name	Salary + Perquisites Rs.	Bonus	Performance Incentive* (actuals)	Retiral Benefits	Total Rs.
Mr. L P Sashikumar	9,07,721	–	–	–	9,07,721

The appointment of Mr. L. P. Sashikumar is for a period of five years ending on 31st March 2006.

Besides sitting fee for attending Board and Committee meetings, no special compensation is paid to the Non-Executive Directors.

**Shareholders'/ Investors' Grievance Committee**

The Committee looks into the redressal of shareholder and investor complaints.

**Terms of reference**

The functions and powers of the Shareholders'/ Investors' Grievance Committee include review and redressal of Shareholders' and Investors' Grievances/ Complaints.

**Composition**

The following are the members of the shareholders / Investors Grievances committee

1. Mr. M Gopalakrishna – Chairman (Independent Director)
2. Mr. J A Rao – Member (Independent Director)
3. Dr.K.K.Krishnan Kutty – Member (Independent Director)

**Name and designation of Compliance Officer**

Mr. J A Rao, Director

**Meeting of Shareholders'/ Investors' Grievance Committee**

The committee met two times to review the shareholders and investor complaints received during the financial year. The meetings were attended by all the members.

**Number of Shareholders Complaints received as on 31st March 2002**

The total Number of Complaints received and replied to the satisfaction of shareholders during the year under review are 6 (breakup given below). All complaints were resolved within a period of 10 days from the date of receipt.

Nature of Complaint	Received during the year	Resolved during the year
Non-Receipt of Share Certificate/Transfer	4	4
Other complaints	2	2
<b>Total</b>	<b>6</b>	<b>6</b>

**Number not solved to the satisfaction of shareholders**

**NIL**

**Number of pending share transfers**

There are no pending share transfers as on 31st March 2002

**Share Transfer Committee**

The Company has a Share Transfer Committee, which looks into the matters relating to transfers/transmissions, issue of duplicate certificates etc; Mr. J A Rao, Mr. L P Sashikumar and Dr. K K Krishnan Kutty are the members of the Committee. During the financial year 2001-2002, the Committee met 6 times and all the members attended and approved share transfers of 24000 shares. The duly transferred share certificates / Option Letters for dematerialisation were sent to the shareholders within a period of 30 days.

No. of share transfer Committee Meetings	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialisation of Shares	Total
6	24000	Nil	Nil	24000





## General Body Meetings

The Company held its First Annual General Meeting on 31st December 2001 at Plot No 1 & 9, IDA, Phase II, Cherlapally, Hyderabad – 500 051.

## Disclosures

- ❑ Disclosures on materially significant related party transactions i.e; transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc that may have potential conflict with the interests of Company at large.

NIL

- ❑ There are no instances of non-compliance on any matter related to the capital markets during the year and no penalties, strictures were imposed on the Company by Stock Exchange or SEBI or any Statutory Authority.

## Means of communication

- ❑ Quarterly results will be published generally in Business Standard in English and Andhra Bhoomi, Regional Daily in Telugu. The Company also provides the information regularly to the Stock Exchanges at which Equity Shares are listed.
- ❑ Efforts are being made by the Company to display the Quarterly Results and the official news releases, presentations made to institutional investors at the website of the Company.

## Management Discussion& Analysis

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

## GENERAL SHAREHOLDERS' INFORMATION

### Annual General Meeting

Date and Time	: 30th September 2002 at 10.00 A.M There are no special/ordinary resolutions passed by Postal Ballot
Venue	: At Plot No 1 & 9 Phase II, IDA Cherlapally Hyderabad – 51
Financial Calendar	: The following is the tentative financial calendar of the Company which is subject to change
First Quarter Results	: 31st July 2002
Second Quarter Results	: 31st October 2002
Third Quarter Results	: 31st January 2003
Fourth Quarter Results	: 30th April 2003
Date of Book Closure	: 25th September - 30th September 2002 (inclusive of both days)
Dividend Payment Date	: 30 days from the date of Annual General Meeting



## Goldstone Teleservices Limited

### Listing on Stock Exchanges

The Stock Exchange Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400 001

Madras Stock Exchange  
Exchange Building,  
Post Box No 183  
II Second Line Beach  
Chennai – 600 001

Delhi Stock Exchange  
DSE House 3/1  
Asaf Ali Road  
New Delhi – 110 002

: Hyderabad Stock Exchange Ltd  
3-6-275 Himayatnagar  
Hyderabad- 500 029

National Stock Exchange of India Limited  
5th Floor Plot No C/1  
G Block, Bandra Kurla Complex  
Bandra East  
Mumbai – 400 051

Ahmedabad Stock Exchange  
Kamadhenu Complex  
Opp Sahajanand College  
Panjarapole  
Ahmedabad – 380 015

### Stock Code

Hyderabad Stock Exchange Limited **6496**  
Stock Exchange Mumbai **532439**  
National Stock Exchange of India Limited **GOLDTELE**

### Market Price Data :

Month	NSE		BSE	
	High	Low	High	Low
July 2001	Not Listed	Not Listed	Not Listed	Not Listed
August 2001			Not Listed	Not Listed
September 2001			Not Listed	Not Listed
October 2001			Not Listed	Not Listed
November 2001			17.00	16.00
December 2001			17.50	15.50
January 2002			19.00	14.10
February 2002	33.00	25.60	17.20	14.00
March 2002			32.00	15.10

### Registrar and Transfer Agents

#### In house Share Transfer Department

Goldstone Teleservices Limited  
9-1-83 & 84 Amarchand Sharma Complex  
S D Road  
Secunderabad – 500 003  
Tel: + 91-40-7807640  
Fax: + 91-40-7801910  
Email: geetha@goldstone.net

#### Electronic Transfer Agent

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



## Share Transfer System

The application for the Transfers, Transmissions, Demat/Remat request forms etc; are received by the Company at the above-mentioned in-house share transfer department. Since the company shares are traded in dematerialised form, the transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository participants. Shares sent for Physical Transfer are generally registered and returned within one month from the date of receipt, provided the documents are in order.

## Distribution of Shareholding as on 31st March, 2002

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	9293	84.07	6025652	13.90
5001 - 10000	958	8.85	3170916	7.31
10001 - 20000	394	3.65	2379312	5.49
20001 - 30000	167	1.55	1724464	3.98
30001 - 40000	53	0.49	751144	1.73
40001 - 50000	58	0.54	1099184	2.53
50001 - 100000	73	0.68	2090060	4.82
100001 and above	58	0.54	26119868	60.24
<b>TOTAL</b>	<b>11054</b>	<b>100.00</b>	<b>43360600</b>	<b>100.00</b>

## Shareholding Pattern as on 31st March 2002

S.No	Category	No. of Equity Shares Held	% of Shareholding	No. of Share holders	% to Total Share holders
1	Promoters	4205624	39.71%	5	0.05%
2	Mutual Funds, FI's & Banks	520865	4.80%	4	0.04%
3	Private Bodies Corporate	1083820	10.00%	491	4.44%
4	Public	4510271	41.62%	10302	93.20%
5	NRI'S & OCB's	419570	3.87%	252	2.28%
	<b>GRAND TOTAL</b>	<b>10840150</b>	<b>100.00%</b>	<b>11054</b>	<b>100.00%</b>

## Dematerialisation of Shares and Liquidity

The Company Stock is under compulsory Demat Category in all Stock Exchanges where it is listed. The International Security identification number (ISIN) allotted to the Company Scrip is **INE260D01016**.



Investors are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialised Form. Over 92.58 % of the Company Shares are now held in Electronic Form. The list of depository participants is available with National Securities Depository Limited (NSDL) at [www.nsdl.co.in](http://www.nsdl.co.in).

**Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

The Company has not issued any GDRs/ADRs/Warrants or any Convertible instruments till date.

**Plant Locations**

The Manufacturing facility for Cables Jointing Kits is located at Plot No 1 & 9 IDA Phase II Cherlapally Hyderabad – 500 051

**Address for Correspondence:**

Shares Department, 9-1-83 & 84 Amarchand Sharma Complex, S D Road Secunderabad – 500 003 Tel: +91-40-7807640, Fax +91-040-7801910, Email: [geetha@goldstone.net](mailto:geetha@goldstone.net)

**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.

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### Auditors' Certificate on Corporate Governance

To

**The Members of  
Goldstone Teleservices Limited**

We, the Statutory Auditors of Goldstone Teleservices Limited have reviewed the relevant records for the year ended on 31st March 2002 relating to compliance with the requirements of Corporate Governance and state that in our opinion and to the best of our knowledge and according to the information and explanation given to us, the Company has complied with the provisions of Clause 49 of the Listing Agreement

**For Srivas & Pramodkumar**

Place : Secunderabad  
Date : 31st July 2002

Sd/-  
**Pramodkumar**  
Partner



## **Auditors' Report**

To  
The Shareholders of  
**Goldstone Teleservices Limited**

1. We have audited the attached Balance Sheet of Goldstone Teleservices Limited as at 31st March 2002 and the Profit and Loss Account for the nine months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
  - ii) in the case of the Profit and Loss Account, of the Profit for the nine months period ended on that date.

For **Srivas &Pramodkumar**  
Chartered Accountants

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

Place : Secunderabad  
Date : 26.06.2002



## **Annexure to Auditors' Report**

(Referred to in paragraph 3 of our Report of even date on the accounts of Goldstone Teleservices Limited as at 31st March, 2002)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the period.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the period, as informed by the management.
4. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
5. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
6. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
8. The Company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
9. In the absence of specific terms and conditions in respect of loans/advances in the nature of loans given by the company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000/- (Rupees fifty thousand only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.
12. We are informed by the management that there were no damaged stores as at the date of the balance sheet. The unserviceable stocks are charged off to the profit & loss account.
13. The Company has not accepted any deposits from the public during the period under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The Company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered



Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.

16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the Company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2002 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across

any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.

20. The Company is not a sick industrial Company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Srivas & Pramodkumar**  
Chartered Accountants

Place : Secunderabad  
Date : 26.06.2002

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



## Balance Sheet as at 31st March, 2002

	SCHEDULE	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>I SOURCES OF FUNDS</b>			
<b>1 SHAREHOLDERS FUNDS:</b>			
a. Share Capital	1.01	48,460,600	43,360,600
b. Reserves and Surplus	1.02	203,858,537	211,811,738
		<u>252,319,137</u>	<u>255,172,338</u>
<b>2 LOAN FUNDS:</b>			
a. Secured Loans	1.03	18,318,155	36,272,374
b. Unsecured Loans	1.04	38,195,077	31,600,357
		<u>56,513,232</u>	<u>67,872,731</u>
<b>Total</b>		<u>308,832,369</u>	<u>323,045,069</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1 FIXED ASSETS:</b>			
a. Gross Block	1.05	145,311,066	144,353,592
b. Less : Depreciation		35,116,393	28,994,165
Net Block		<u>110,194,673</u>	<u>115,359,427</u>
<b>2 INVESTMENTS</b>	1.06	95,147,000	91,647,000
<b>3 CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a. Inventories	1.07	8,605,394	42,432,466
b. Sundry Debtors	1.08	30,083,664	26,166,041
c. Cash and Bank Balances	1.09	78,383,415	28,087,319
d. Loans and Advances	1.10	52,145,563	65,704,140
		<u>169,218,036</u>	<u>162,389,966</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a. Current liabilities	1.11	28,072,653	41,986,868
b. Provisions	1.12	38,240,056	5,000,000
		<u>66,312,709</u>	<u>46,986,868</u>
<b>Net Current Assets</b>		<u>102,905,327</u>	<u>115,403,098</u>
<b>4 Miscellaneous Expenditure</b>	1.13	585,369	635,544
<b>Total</b>		<u>308,832,369</u>	<u>323,045,069</u>
Accounting policies	3.00		
Notes to Accounts	4.00		

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

on behalf of the Board

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

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

Sd/-  
**K. Vasudeva Rao**  
Director

Place : Secunderabad  
Date : 26th June, 2002





**Profit and Loss Account for the Period Ended 31st March, 2002**

	SCHEDULE	For the Period ended 31.03.2002 Rs.	For the Period ended 30.06.2001 Rs.
<b>INCOME</b>			
Sales	2.01	175,199,415	126,810,079
Accretion / (Decretion) to stocks	2.02	(28,149,897)	18,336,074
Other Income	2.03	9,080,632	4,034,714
<b>Total</b>		<b>156,130,150</b>	<b>149,180,867</b>
<b>EXPENDITURE</b>			
Material Cost	2.04	68,812,759	90,503,241
Excise Duty		4,033,644	6,023,678
Personnel Expenditure	2.05	9,381,146	3,895,900
Other Manufacturing Costs	2.06	4,328,505	3,816,795
Administrative and Selling Expenses	2.07	25,381,022	17,655,245
Financial Expenses	2.08	3,445,441	3,026,844
Depreciation		6,122,228	3,623,898
Miscellaneous Expenses Written off		50,175	112,611
<b>Total</b>		<b>121,554,920</b>	<b>128,658,212</b>
Profit before Taxation		34,575,230	20,522,655
Provision for taxation		4,550,000	5,000,000
Profit after tax for the period		30,025,230	15,522,655
Prior period adjustments (-)		10,200,163	—
Deferred Tax Liability		2,217,715	—
Profit brought forward from the previous period		15,522,655	—
Amount available for appropriation		33,130,007	15,522,655
<b>APPROPRIATIONS</b>			
Proposed Dividend		8,672,120	—
Transfer to General Reserve		5,000,000	—
Surplus Transferred to Balance Sheet		19,457,887	15,522,655
Earnings per Share before non recurring & extraordinary items (Per equity share of Rs. 4/- each)		2.77	1.43
Earnings per Share after non recurring & extraordinary items (Per equity share of Rs. 4/- each)		1.62	1.43
No of Shares in computing Earnings per share		10,840,150	10,840,150
Accounting policies	3.00		
Notes to Accounts	4.00		

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

On behalf of the Board

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

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

Sd/-  
**K. Vasudeva Rao**  
Director

Place : Secunderabad  
Date : 26th June, 2002



## Schedules Forming Part of the Accounts

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.01: SHARE CAPITAL</b>		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and Paid up:		
1,08,40,150 Equity Shares of Rs. 4/- each, fully paid up	<u>43,360,600</u>	<u>43,360,600</u>
Share Warrant application money received	<u>5,100,000</u>	<u>—</u>
<b>Total</b>	<u><b>48,460,600</b></u>	<u><b>43,360,600</b></u>
<b>1.02: RESERVES AND SURPLUS</b>		
1 Share Premium	<u>97,714,028</u>	<u>97,714,028</u>
2 General Reserve	<u>71,699,321</u>	
Add : Transfer from Profit and Loss Account	<u>5,000,000</u>	
Less : Accumulated Deferred Tax Liability	<u>16,888,433</u>	<u>59,810,888</u>
3 a) Profit and Loss Account (Pre-demerger)	<u>26,875,734</u>	<u>26,875,734</u>
b) Profit brought forward from the previous period	<u>15,522,655</u>	
Add : Balance transferred from the Profit and Loss Account	<u>3,935,232</u>	<u>19,457,887</u>
<b>Total</b>	<u><b>203,858,537</b></u>	<u><b>211,811,738</b></u>
<b>1.03: SECURED LOANS</b>		
1 Working Capital Advances:	<u>18,318,155</u>	<u>36,272,374</u>
Cash Credit from State Bank of Hyderabad.		
<b>Total</b>	<u><b>18,318,155</b></u>	<u><b>36,272,374</b></u>
<b>1.04: UNSECURED LOANS:</b>		
Sales Tax Deferment	<u>38,195,077</u>	<u>3,160,0357</u>
<b>Total</b>	<u><b>38,195,077</b></u>	<u><b>31,600,357</b></u>

## Schedules Forming Part of the Accounts

### 1.05: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01.07.2001	Additions during the period of 9 months	Deductions during the period	As on 31.03.2002	Balance as on 01.07.2001	For the period of 9 months	Adjustments/ Deductions	Upto 31.03.2002	As on 31.03.2002	As on 30.06.2001
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Land	1,606,095	—	—	1,606,095	—	—	—	—	1,606,095	1,606,095
2. Buildings	14,305,777	—	—	14,305,777	2,460,934	358,687	—	2,819,621	11,486,156	11,844,843
3. Plant & Machinery	90,321,527	32,000	*539,544	89,813,983	18,075,301	3,201,488	—	21,276,789	68,537,194	72,246,226
4. Furniture & Fixures	3,123,411	32,008	—	3,155,419	692,798	148,763	—	841,561	2,313,858	2,430,613
5. Lab Tools & Equipment	2,509,190	—	—	2,509,190	722,929	89,471	—	812,400	1,696,790	1,786,261
6. Electrical Equipment/ Installation	7,577,224	367,901	—	7,945,125	1,359,714	276,459	—	1,636,173	6,308,952	6,217,510
7. Vehicles	9,716,568	781,377	—	10,497,945	2,546,842	731,985	—	3,278,827	7,219,118	7,169,726
8. Computer system	8,797,565	59,800	—	8,857,365	1,923,468	1,076,224	—	2,999,692	5,857,673	6,874,097
9. Office equipment	1,361,002	141,932	—	1,502,934	257,481	50,622	—	308,103	1,194,831	1,103,521
10. Generator	4,021,817	—	—	4,021,817	862,430	143,408	—	1,005,838	3,015,979	3,159,387
11. Leasehold Improvements	562,516	—	—	562,516	63,209	26,730	—	89,939	472,577	499,307
12. Air Conditioners	434,486	82,000	—	516,486	25,154	17,806	—	42,960	473,526	409,332
13. Tools & Spares	16,414	—	—	16,414	3,905	585	—	4,490	11,924	12,509
Total	144,353,592	1,497,018	539,544	145,311,066	28,994,165	6,122,228	—	35,116,393	110,194,673	115,359,427
Previous period	128,134,673	17,123,751	904,652	144,353,592	26,274,919	3,623,898	904,652	28,994,165	115,359,427	—

\*This amount represents balance 50% of Cenvat Credit availed on purchase of plant and machinery during the previous period ended 30th June, 2001.





## Schedules Forming Part of the Accounts

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.06: INVESTMENTS- AT COST</b>		
<b>Quoted</b>		
i) GTCL Mobilecom Technology Limited 9700 Equity Shares of 10/- each fully paid up (Market Value as on 31.03.02 @ Rs. 2.45 per share - Rs. 23465/-)	97,000	97,000
<b>Investments in Subsidiary Companies</b>		
<b>Unquoted</b>		
i) Newtech Stewing Telecom Limited 1459067 Equity Shares of Rs.10/- each, fully paid up	20,050,000	20,050,000
ii) Shree Shree Telecom Pvt Ltd		
a. 1,50,000 Equity Shares of Rs.10/- each, fully paid up	1,500,000	1,500,000
b. Share application money paid	17,500,000	—
<b>Trade, Unquoted</b>		
i) Birla Income Plus bonds as on 01.07.2001	25,000,000	
Less : Sold during the period	20,000,000	
Balance as on 31.03.2002	5,000,000	25,000,000
5,15,460.154 units of Rs. 10/- each (NAV as on 31.03.02 @ 10.13 per unit - Rs. 52,21,611/-)		
ii) Alliance Liquid Income	15,000,000	15,000,000
14,23,037.19 unit of Rs. 10/- each (NAV as on 31.03.02 @10.68 per unit - Rs.1,51,98,037/-)		
iii) Sun F&C Money Value Fund Bond	10,000,000	10,000,000
9,85,228.735 units of Rs.10/- each (NAV as on 31.03.02 @ 10.31 per unit - Rs.1,01,57,708/-)		
iv) IDBI Principal Income Fund	14,000,000	10,000,000
13,43,599.867 units of Rs.10/- each (NAV as on 31.03.02 @ 10.3479 per unit - Rs.1,39,03,437/-)		
v) Reliance Income Fund 9,81,229 units of Rs.10/- each	10,000,000	
Less : 9,81,229 units Sold during the period	10,000,000	—
vi) Templeton Liquid Fund	12,000,000	—
1061711.750 units of Rs.10/- each (NAV as on 31.03.2002 @ 11.30 per unit Rs. 1,19,97,343/-)		
<b>Total</b>	<b>95,147,000</b>	<b>91,647,000</b>



**Schedules Forming Part of the Accounts**

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.07: INVENTORIES</b> (As Certified by the Management)		
Raw materials (at cost)	3,411,314	4,993,461
Finished goods (at cost or net realisable value, whichever is lower)	4,238,692	32,388,589
Components and Packing Materials (at cost)	955,388	5,050,416
<b>Total</b>	<b>8,605,394</b>	<b>42,432,466</b>
<b>1.08: SUNDRY DEBTORS</b> (Unsecured, Considered Good)		
a. Debts outstanding for a period exceeding six months	10,100,898	10,786,597
b. Other Debts	19,982,766	15,379,444
<b>Total</b>	<b>30,083,664</b>	<b>26,166,041</b>
<b>1.09: CASH &amp; BANK BALANCES</b>		
a. Cash on hand	456,300	47,484
b. Balances with Scheduled Banks:		
– In Current Accounts	12,440,073	4,098,362
– In Fixed Deposits	40,253,299	—
– In Fixed Deposits against FLC & BGs	25,233,743	23,941,473
<b>Total</b>	<b>78,383,415</b>	<b>28,087,319</b>



## Schedules Forming Part of the Accounts

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.10: LOANS &amp; ADVANCES</b>		
(Unsecured, Considered Good)		
a. Advances recoverable in cash or kind or for value to be received	39,499,829	22,838,690
b. Advances to Subsidiary Companies	125,113	31,922,905
c. Advances to suppliers	663,979	575,833
d. Advances to Staff	311,403	416,300
e. Balance with Govt.bodies	430,249	2,849,336
f. Deposits	686,070	594,194
g. Advance Tax	9,500,000	5,000,000
h. Tax deducted at source	899,985	760,431
i. Prepaid Expenses	28,935	746,451
<b>Total</b>	<b>52,145,563</b>	<b>65,704,140</b>
<b>1.11: CURRENT LIABILITIES</b>		
Sundry Creditors	11,848,478	18,860,561
Other Creditors/liabilities	15,781,671	22,231,569
Statutory Liabilities	442,504	894,738
<b>Total</b>	<b>28,072,653</b>	<b>41,986,868</b>
<b>1.12 PROVISIONS</b>		
Provision for Taxation	9,550,000	5,000,000
Provision for Dividend	8,672,120	—
Provision for Deferred Tax Liability	19,106,148	—
Provision for Gratuity	619,633	—
Provision for Earned Leave Encashment	292,155	—
<b>Total</b>	<b>38,240,056</b>	<b>5,000,000</b>
<b>1.13 MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
a Preliminary Expenses	635,544	
Less : Written off during the period	50,175	635,544
<b>Total</b>	<b>585,369</b>	<b>635,544</b>



## Schedules Forming Part of the Accounts

	For the Period ended 31.03.2002 Rs.	For the Period ended 30.06.2001 Rs.
<b>2.01: SALES</b>		
– Domestic	175,199,415	126,546,197
– Exports	—	263,882
<b>Total</b>	<b>175,199,415</b>	<b>126,810,079</b>
<b>2.02: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods	4,238,692	32,388,589
Less : Opening Stock of WIP & Finished Goods	32,388,589	14,052,515
<b>Total</b>	<b>(28,149,897)</b>	<b>18,336,074</b>
<b>2.03: OTHER INCOME</b>		
Insurance Claims received	173,508	124,695
Interest on Fixed Deposits	1,494,631	2,763,723
Service Charges	974,249	615,603
Discount Received	—	18,374
Miscellaneous Income	37,458	—
Interest earned	128,850	—
Dividend Received	6,271,936	512,319
<b>Total</b>	<b>9,080,632</b>	<b>4,034,714</b>
<b>2.04: MATERIAL COST</b>		
Opening Stock	10,043,877	24,093,668
Purchases:		
– Kit Components	46,792,418	36,559,015
– Packing Materials	4,118,144	4,946,315
– Imported Raw materials	10,048,405	32,732,336
Other Purchase Expenses	2,176,617	2,215,784
	73,179,461	100,547,118
Less : Closing Stocks	4,366,702	10,043,877
<b>Total</b>	<b>68,812,759</b>	<b>90,503,241</b>
<b>2.05: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	8,689,364	3,219,515
Staff Welfare	691,782	676,385
<b>Total</b>	<b>9,381,146</b>	<b>3,895,900</b>



**Schedules Forming Part of the Accounts**

	For the Period ended 31.03.2002 Rs.	For the Period ended 30.06.2001 Rs.
<b>2.06: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	1,805,750	1,592,320
Consumables	629,621	549,394
Repairs and Maintenance		
– Plant and Machinery	464,850	632,691
– Buildings	9,969	65,660
– Others	1,314,855	894,069
Testing and Inspection Charges	95,980	39,761
Job Work Charges	7,480	42,900
<b>Total</b>	<b>4,328,505</b>	<b>3,816,795</b>
<b>2.07: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Auditors Remuneration	125,000	125,000
Directors Remuneration	907,721	—
Advertisement	290,005	70,464
Electricity	346,613	192,244
Rent	451,936	244,759
Legal Fees	242,550	268,422
Printing and Stationery	251,761	58,835
Tender Expenses	55,409	60,744
Postage, Telephones and Internet	1,345,818	917,433
Insurance	1,451,131	513,828
Professional and Consultancy	2,273,659	1,982,346
Fees, Rates and Taxes	155,374	212,504
Gifts and Donations	429,429	432,792
Vehicle Maintenance	1,063,005	659,870
Travelling Expenses		
– Directors	131,254	584,194
– Others	1,535,287	941,951
Conveyance	685,793	422,349
Carriage Outward	4,082,534	2,364,575
Sales Tax	6,695,042	4,895,864
Business Promotion	671,234	537,705
Office Maintenance	124,485	270,737
Miscellaneous Expenses	1,663,680	1,532,589
Listing Fees	145,135	174,550
LD Charges	—	52,538
Security Charges	257,167	138,952
<b>Total</b>	<b>25,381,022</b>	<b>17,655,245</b>
<b>2.08: FINANCIAL EXPENSES</b>		
Interest on Working Capital Loan	2,094,679	1,489,413
Bank Charges & Commission	1,283,565	1,105,028
Other Finance Charges	67,197	432,403
<b>Total</b>	<b>3,445,441</b>	<b>3,026,844</b>





## **Schedules Forming Part of the Accounts**

### **3.00 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.

#### **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 payable 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:**

Fixed assets and long term liabilities are accounted at the rates prevailing on the dates of transactions. Current assets and current liabilities are accounted at the rates prevailing on the date of transaction. The differences on the date of realisation are adjusted to the profit & loss account.

All income and expenditure items are accounted on the basis of exchange rates prevailing on the dates of transactions. Sale proceeds are converted into Indian Rupees at the rates prevailing on the dates of receipt. Net exchange difference on foreign currency transactions for the period is recognised in the Profit & Loss Account in the same period.

#### **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:**

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

**Schedules Forming Part of the Accounts****4.00 NOTES FORMING PART OF ACCOUNTS****1. Change of Accounting year:**

In order to have uniform accounting period for both Income Tax and Company Law purposes, it was decided to close the books of accounts of the Company as on 31.03.2002. Accordingly, the Balance Sheet and Profit and Loss Account are prepared for 9 months period ended 31.03.2002. The previous accounting period was for six months from 01.01.2001 to 30.06.2001.

**2. Preferential Allotment:**

During the period, the Company received an amount of Rs. 51,00,000/- (Rupees Fifty one lacs only) towards Preferential Offer of 30,00,000 warrants @ Rs. 1.70 ps per unit (face value of each warrant Rs. 17/-) as per the approval of the Share holders at the 1st Annual General Meeting of the Company.

**3. 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.

**4. Unsecured Loans:**

The Unsecured loans represent Sales Tax deferment. During the period an amount of Rs.66,95,042/- (Previous period Rs. 48,95,864/-) was debited to profit and loss account, out of which an amount of Rs.65,94,720/- (Previous period Rs. 45,51,546/-) 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 31.03.2002 is Rs.3,81,95,077/- (previous period 3,16,00,357/-).

**5. Investments in Various Projects under progress:**

Investments made by the Company during the period on projects under implementation shown under Loans and Advances Schedule No. 1.10 (a).

Name of the Project	Amount (Rs.)
a. International Contact Centre	73,95,596/-
b. Power Project – Insulators	8,90,495/-

**6. Sundry debtors, loans and advances and sundry creditors balance, are subject to confirmation by the parties.****7. Prior period adjustments:**

Prior period adjustments include Rs. 7,99,590/- being the net amount of the expenditure and incomes pertaining to earlier years and Sundry Balances of earlier period written off during the period. In addition, an amount of Rs. 88,42,067/- has been included in Prior period adjustments Account towards downward revision in prices for supplies effected by the Company during earlier years on the basis of finalisation of tender prices by the Department of Telecommunications during the current period and Rs 5,58,506/- towards Liquidated Damages relating to earlier years.

**8. Segment Reporting:**

Segment reporting is not applicable to the Company since the company deals with only one product and operates only from one place.



**Schedules Forming Part of the Accounts**

**9. Deferred Tax Liability:**

The accumulated net deferred tax liability arising on account of timing differences as on April 1, 2001 amounting to Rs. 168.88 lakhs has been debited to General Reserve Account.

**10. Retirement Benefits:**

Provision for Gratuity and Leave encashment is made in the accounts in respect of employees on the basis of average salary drawn for three years at the rate of fifteen days salary for every completed year.

**11. Related party disclosures:**

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

1. 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 31.03.2002.
2. Shree Shree Telecom Private Limited (SSTL), 100% subsidiary Company of Goldstone Teleservices Limited (GTSL).

b) Accounting Standard – 18 in respect of “ Related Party Disclosures” comes into effect in respect of accounting periods commencing on or after 01.04.2001. Hence the information given below is only in respect of the transactions entered into by the Company during the period with related parties.

i. Transactions with related parties during the period ending 31.03.2002 are as under :

	Rs. In lakhs (31.03.02)	
	NSTL	SSTL
Sale of finished goods	15.38	20.31
Receipt towards share of common expenses	77.17	29.47
	<b>2001-02</b>	<b>2000-01</b>
	<b>Rs. in lakhs</b>	<b>Rs. in lakhs</b>

ii. Managing Director of the Company  
Remuneration

Sri L P Sashikumar (upto 31.03.2002)	<b>9.08</b>	3.00
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No amounts have been written off/provided for or written back during the period in respect of debts due from/or to related parties.

**12. Earnings per share (EPS) :**

Calculation of EPS

	(Rs. In Lakhs)	
	2001-02	2000-01
Total No. of Shares outstanding (No)	<b>10,840,150</b>	10840150
Profit after taxes before Extraordinary items	<b>300.25</b>	155.23
Profit after taxes after Extraordinary items	<b>198.25</b>	155.23
EPS before Non-recurring and Extraordinary items (Rs.)	<b>2.77</b>	1.43
EPS after Non-recurring and Extraordinary items (Rs.)	<b>1.62</b>	1.43



**13. Preparation of Consolidated Financial Statements:**

List of subsidiary Companies considered for consolidation

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

- 14.** Investments include Rs175 lakhs being payment made towards advance for Share Application Money in Shree Shree Telecom Pvt Ltd.

**15. Contingent Liabilities:**

	As at 31.03.2002 Amount in Rs.	As at 30.06.2001 Amount in Rs.
a. Un-expired letters of credit		
For Raw Materials	20,78,382/-	69,30,424/-
b. Bank Guarantees Outstanding	4,08,95,654/-	4,94,17,548/-
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 issued on behalf of Newtech Stewing Telecom Limited, a subsidiary of Goldstone Teleservices Limited for their securing the working capital advances from State Bank of India amounting to Rs 740.00 Lakhs. (Previous year Rs. 740.00 lakhs).		
e. The Company has issued Corporate Guarantee, as an additional security, in favour of State Bank of Hyderabad securing the Working Capital advances of Rs 95 lakhs sanctioned to Shree Shree Telecom Private Limited.		
f. Lien marked on fixed deposits for securing the Bank Guarantees issued by various banks on behalf of subsidiaries Rs. 21.12 lakhs (Previous year Rs. 21.11 lakhs).		

- 16.** Figures have been rounded off to the nearest rupee.

- 17.** Previous period figures have been regrouped wherever necessary.

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

On behalf of the Board

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

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

Sd/-  
**K. Vasudeva Rao**  
Director

Place : Secunderabad

Date : 26.06.2002



## Schedules Forming Part of the Accounts

### 4.00 Notes forming part of Accounts (Contd..)

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

		For the Period ended 31.03.2002	For the Period ended 30.06.2001
I	Licensed & Installed Capacities		
a.	Installed Capacity (Nos)		
	– Heat Shrinkable Sleeves	690,000	690,000
	– MARR SRR Systems	600	600
ii	Production (Nos)		
	– Heat Shrinkable Sleeves for Telecom Cable Jointing Kits (Nos)	305,859	401,752
iii	Purchase of Components & Raw materials	63,135,584	76,453,450
iv	Production of Cable Jointing Kits (Nos)	307,909	385,209
v	Turnover		
	– Jointing kits (Nos)	397,488 *	322,465
	Value (Rs.)	171,422,282	124,511,428
	– Others	Value (Rs.)	Value (Rs.)
		3,777,133	2,298,651
		<u>175,199,415</u>	<u>126,810,079</u>
vi	Opening & Closing Stocks		
	<b>* Opening Stock</b>		
	– Manufactured Sleeves (Nos)	93,066	13,779
	Value (Rs.)	6,493,004	1,316,418
	– Work in process	Value (Rs.)	Value (Rs.)
		18,266,179	2,477,131
	– Thermo Shrink Filled Kits (Nos)	87,915	25,171
	Value (Rs.)	7,629,406	10,258,966
	– Components & Raw materials	Value (Rs.)	Value (Rs.)
		10,043,877	24,093,668
		<u>42,432,466</u>	<u>38,146,183</u>
	<b>Closing Stock</b>		
	– Manufactured Sleeves (Nos)	1,437	93,066
	Value (Rs.)	69,429	6,493,004
	– Work in process	Value (Rs.)	Value (Rs.)
		4,169,264	18,266,179
	– Thermo Shrink Filled Kits (Nos)	—	87,915
	Value (Rs.)	—	7,629,406
	– Components & Raw materials	Value (Rs.)	Value (Rs.)
		4,366,701	10,043,877
		<u>8,605,394</u>	<u>42,432,466</u>
	* includes TWF & RTSF sleeves of 1664 nos. shown as issues as the same is considered non-moving in nature.		



**Schedules Forming Part of the Accounts**

**SCHEDULE 4.00 : Continued**

		<b>For the Period ended 31.03.2002</b>	<b>For the Period ended 30.06.2001</b>
vii	Raw Materials Consumed		
-	Hotmelt Adhesive	Kgs <b>23,495</b>	55,805
		Value (Rs.) <b>5,325,093</b>	14,916,993
-	Granules	kgs <b>42,970</b>	70,000
		Value (Rs.) <b>1,493,630</b>	13,461,154
-	Film Rolls	Nos —	62
		Value (Rs.) —	410,879
-	Others	Value (Rs.) <b>61,994,036</b>	61,714,215
		<b>68,812,759</b>	<b>90,503,241</b>
viii	Consumption of Imported & Indigenous Materials		
-	Imported Materials	Value (Rs.) <b>6,818,723</b>	28,789,026
		% <b>9.91%</b>	31.81%
-	Indigenous Materials	Value (Rs.) <b>61,994,036</b>	61,714,215
		% <b>90.09%</b>	68.19%
-	Total	Value (Rs.) <b>68,812,759</b>	90,503,241
		% <b>100%</b>	100%
ix	Foreign Exchange Transactions		
	Value of Imports on CIF basis		
-	Raw Materials	Value (Rs.) <b>12,600,466</b>	36,035,662
-	Capital Goods	Value (Rs.) —	4,696,000
-	Tools & Spares	Value (Rs.) <b>188,048</b>	199,897
	Expenditure/Earnings in Foreign Currency		
	Travelling Expenses	Value (Rs.) <b>230,106</b>	250,751
	Export of goods (FOB basis)	Value (Rs.) —	263,882
x	Auditors' Remuneration		
	Audit Fee	(Rs.) <b>110,000</b>	110,000
	Taxation Matters	(Rs.) <b>15,000</b>	15,000
		<b>125,000</b>	<b>125,000</b>

**Statement of Cash Flows for the period ended 31.03.2002**

(Amounts in Rs. lakhs)

	31.03.2002	30.06.2001
<b>A. Cash Flow from operating activity</b>		
Net Profit before tax	345.75	205.23
<b>Adjustments for:</b>		
Depreciation	61.22	36.24
Miscellaneous expenditure written off	0.50	1.12
Provision for Gratuity & Earned Leave	9.12	
Other Income	(90.80)	(40.35)
Operating Profit before working capital changes	325.79	202.24
<b>Adjustments for:</b>		
Trade and other receivables	(39.18)	330.35
Inventories	338.27	(42.86)
Trade advances	181.98	104.51
Trade Payables	(139.14)	(29.78)
<b>Cash generated from operations</b>	667.72	564.46
Direct Taxes paid	(46.40)	(57.60)
Cashflow before extraordinary items	621.33	
Extra ordinary items	(102.00)	
<b>Net Cash flow from operating activity</b>	519.33	506.86
<b>B. Cash Flow from Investing Activity</b>		
Purchase of fixed assets *	(9.57)	(171.24)
Purchase of investments	(35.00)	(215.00)
Miscellaneous Expenditure	0.00	(6.68)
Interest received	1.29	27.64
Other income	26.80	7.59
Dividend received	62.72	5.12
<b>Net Cash used for investing activity</b>	46.24	(352.57)



## Goldstone Teleservices Limited

(Amounts in Rs. lakhs)

	31.03.2002	30.06.2001
<b>C. Cash Flow from financing activities</b>		
Repayment of Working capital Loan	(179.54)	49.87
Deferred sales tax loan	65.94	45.51
Proceeds from Preferential allotment	51.00	
<b>Net cash generated from financing activity</b>	<b>(62.60)</b>	<b>95.38</b>
Cash and cash equivalents (Opening Balance)	280.87	249.67
Net increase in Cash & Cash equivalents (A + B + C) **	502.96	31.20
Cash and cash equivalents (Closing Balance)	783.83	280.87
* after adjustment of Cenvat credit previously availed		
** represents net adjustments on merger/demerger		

Place : Secunderabad	Sd/- L.P.Sashikumar	Sd/- K.Vasudeva Rao
Date : 26.06.2002	Managing Director	Director

### AUDITORS CERTIFICATE

We have certified the above Cash Flow Statement of Goldstone Teleservices Limited derived from the audited annual financial statements for the period ended 31 st March, 2002. According to the information and explanations given to us, the above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute Of Chartered Accountants of India and found the same to be drawn in accordance therewith and also with the requirements of clause 32 of the listing agreements with stock exchanges.

for **Srivas & Pramodkumar**  
Chartered Accountants

Place : Secunderabad  
Date : 26.06.2002

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





## Balance Sheet Abstract and Company's Business Profile

## I. Registration Details :

Registration No. 

		3	5	4	5	1
--	--	---	---	---	---	---

 State Code 

0	1
---	---

Balance Sheet Date 

	3	1	0	3	0	2
--	---	---	---	---	---	---

  
Date Month Year

## II. Capital raised during the year (Amount in Rs. Lakhs)

Public Issue 

				N	I	L
--	--	--	--	---	---	---

 Rights Issue 

				N	I	L
--	--	--	--	---	---	---

Bonus Issue 

				N	I	L
--	--	--	--	---	---	---

 Private Placement 

		5	1	.	0	0
--	--	---	---	---	---	---

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

## Sources of Funds:

Total Liabilities 

3	0	8	8	.	3	2
---	---	---	---	---	---	---

 Total Assets 

3	0	8	8	.	3	2
---	---	---	---	---	---	---

Paid-up Capital 

	4	8	4	.	6	1
--	---	---	---	---	---	---

 Reserves and Surplus 

2	0	3	8	.	5	9
---	---	---	---	---	---	---

Secured Loans 

	1	8	3	.	1	8
--	---	---	---	---	---	---

 Unsecured Loans 

	3	8	1	.	9	5
--	---	---	---	---	---	---

## Application of Funds:

Net Fixed Assets 

1	1	0	1	.	9	5
---	---	---	---	---	---	---

 Investments 

	9	5	1	.	4	7
--	---	---	---	---	---	---

Net Current Assets 

1	0	2	9	.	0	5
---	---	---	---	---	---	---

 Misc. Expenditure 

			5	.	8	5
--	--	--	---	---	---	---

Accumulated Losses 

				N	I	L
--	--	--	--	---	---	---

## IV. Performance of company (Amount in Rs. Lakhs)

Turnover/Income 

1	8	4	2	.	8	0
---	---	---	---	---	---	---

 Total Expenditure 

1	4	9	7	.	0	5
---	---	---	---	---	---	---

Profit before tax 

	3	4	5	.	7	5
--	---	---	---	---	---	---

 Profit after tax 

	3	0	0	.	2	5
--	---	---	---	---	---	---

Earning per Share in Rs. 

			2	.	7	7
--	--	--	---	---	---	---

 Dividend Rate 

				2	0	%
--	--	--	--	---	---	---

V. Generic Names of Three Principal Products / Services of Company  
(as per monetary terms)

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

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

On behalf of the Board

Sd/-  
L.P.Sashikumar  
Managing Director

Sd/-  
K. Vasudeva Rao  
Director



# **Consolidated Financial Statements of Goldstone Teleservices Limited**



## **Auditors' Report on the Consolidated Financial Statements**

**The Board of Directors  
Goldstone Teleservices Limited  
Secunderabad**

We have examined the attached Consolidated Balance Sheet of Goldstone Teleservices Limited and its subsidiaries as at March 31, 2002 and the Consolidated Profit and Loss Account for the period then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Newtech Stewing Telecom Limited and Shree Shree Telecom Private Limited, subsidiaries, whose financial statements reflect total assets of Rs.570,76,266/- and Rs.280,02,746/- respectively as at March 31, 2002 and total revenues of Rs.595,13,333/- and Rs.258,90,031/- respectively for the periods then ended. These financial statements have been audited by other auditors, whose reports have been

furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Goldstone Teleservices Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Goldstone Teleservices Limited and its aforesaid subsidiaries, we are of the opinion that :

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Goldstone Teleservices Limited and its subsidiaries as at March 31, 2002; and
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Goldstone Teleservices Limited and its subsidiaries for the period then ended.

**For SRIVAS & PRAMODKUMAR**  
Chartered Accountants

Place : Secunderabad  
Date : 26.06.2002

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



## Consolidated Balance Sheet as at 31st March, 2002

	SCHEDULE	As at 31.03.2002 Rs.
<b>I SOURCES OF FUNDS</b>		
<b>1 SHAREHOLDERS FUNDS:</b>		
a. Share Capital	1.01	48,460,600
b. Reserves and Surplus	1.02	223,822,185
		<u>272,282,785</u>
<b>2 LOAN FUNDS:</b>		
a. Secured Loans	1.03	21,554,303
b. Unsecured Loans	1.04	38,615,077
		<u>60,169,380</u>
<b>Total</b>		<u>332,452,165</u>
<b>II APPLICATION OF FUNDS</b>		
<b>1 FIXED ASSETS:</b>		
a. Gross Block	1.05	171,352,353
b. Less : Depreciation		44,657,930
Net Block		<u>126,694,423</u>
<b>2 INVESTMENTS</b>	1.06	65,089,613
<b>3 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
a. Inventories	1.07	14,902,076
b. Sundry Debtors	1.08	38,394,116
c. Cash and Bank Balances	1.09	95,479,511
d. Loans and Advances	1.10	84,957,686
		<u>233,733,389</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
a. Current liabilities	1.11	38,315,366
b. Provisions	1.12	55,740,777
		<u>94,056,143</u>
<b>Net Current Assets</b>		<u>139,677,246</u>
<b>4 Miscellaneous Expenditure</b>	1.13	990,883
<b>Total</b>		<u>332,452,165</u>
Accounting policies	3.00	
Notes to Accounts	4.00	

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

on behalf of the Board

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

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

Sd/-  
**K. Vasudeva Rao**  
Director

Place : Secunderabad  
Date : 26th June, 2002



**Consolidated Profit and Loss Account for the Period Ended 31st March, 2002**

	SCHEDULE	For the Period ended 31.03.2002 Rs.
<b>INCOME</b>		
Sales	2.01	255,597,481
Accretion / (Decretion) to stocks	2.02	(28,870,141)
Other Income	2.03	10,517,202
<b>Total</b>		<b>237,244,542</b>
<b>EXPENDITURE</b>		
Material Cost	2.04	119,927,192
Excise Duty		5,969,657
Personnel Expenditure	2.05	13,801,450
Other Manufacturing Costs	2.06	7,467,369
Administrative and Selling Expenses	2.07	40,628,938
Financial Expenses	2.08	5,049,947
Depreciation		6,860,580
Miscellaneous Expenses Written off		96,540
<b>Total</b>		<b>199,801,673</b>
Profit before Taxation		37,442,869
Provision for taxation		7,433,707
Profit after tax for the period		30,009,162
Prior period adjustments (-)		16,800,701
Deferred Tax Liability		2,148,263
Minority Interest (+)		172,343
Profit brought forward from the previous year		24,705,994
Amount available for appropriation		35,938,535
<b>APPROPRIATIONS</b>		
Proposed Dividend		8,672,120
Transfer to General Reserve		5,000,000
Surplus Transferred to Balance Sheet		22,266,415
Earnings per Share before non recurring & extraordinary items (Per equity share of Rs. 4/- each)		2.77
Earnings per Share after non recurring & extraordinary items (Per equity share of Rs. 4/- each)		1.04
No of Shares in computing Earnings per share		10,840,150
Accounting policies	3.00	
Notes to Accounts	4.00	

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

On behalf of the Board

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

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

Sd/-  
**K. Vasudeva Rao**  
Director

Place : Secunderabad  
Date : 26th June, 2002



## Schedules Forming Part of the Consolidated Accounts

	As at 31.03.2002 Rs.	
<b>1.01: SHARE CAPITAL</b>		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each		<u>100,000,000</u>
Issued, Subscribed and Paid up:		
1,08,40,150 Equity Shares of Rs. 4/- each, fully paid up		<u>43,360,600</u>
Share Warrant Application money received		<u>5,100,000</u>
<b>Total</b>		<u><b>48,460,600</b></u>
<b>1.02: RESERVES AND SURPLUS</b>		
1 Share Premium		97,714,028
2 General Reserve	75,199,321	
Add : Transfer from Profit and Loss Account	5,000,000	
Less : Minority Interest	10,538	
Less : Accumulated Deferred Tax Liability	<u>20,152,839</u>	60,035,944
3 Capital Reduction Account		17,121,280
4 a) Profit and Loss Account (Pre-demerger)		26,875,734
b) Profit brought forward from the previous year	24,705,994	
Less : Minority Interest	191,216	
Add : Balance transferred from the Profit and Loss Account	<u>-2,439,579</u>	<u>22,075,199</u>
<b>Total</b>		<u><b>223,822,185</b></u>
<b>1.03: SECURED LOANS</b>		
1 Working Capital Advances:		
Cash Credit from State Bank of Hyderabad		18,318,155
Cash Credit from State Bank of India		<u>3,236,148</u>
<b>Total</b>		<u><b>21,554,303</b></u>
<b>1.04: UNSECURED LOANS</b>		
Sales Tax Deferment		38,195,077
REPL Engineering Limited		<u>420,000</u>
<b>Total</b>		<u><b>38,615,077</b></u>



## Schedules Forming Part of the Consolidated Accounts

## 1.05: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Cost as on 01.07.2001	Additions during the period of 9 months	Deductions during the period	As on 31.03.2002	Balance as on 01.07.2001	For the period of 9 months	Adjustments/ Deductions	Upto 31.03.2002	As on 31.03.2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Goodwill	—	5,459,330	—	5,459,330	—	—	—	—	5,459,330
2. Land	1,606,095	—	—	1,606,095	—	—	—	—	1,606,095
3. Buildings	14,305,777	—	—	14,305,777	2,460,934	358,687	—	2,819,621	11,486,156
4. Plant & Machinery	107,987,940	32,000	571,373 *	107,448,567	25,948,172	3,829,198	1,008	29,776,362	77,672,205
5. Furniture & Fixures	3,498,279	32,008	—	3,530,287	1,018,875	166,560	—	1,185,435	2,344,852
6. Lab Tools & Equipment	2,627,571	—	—	2,627,571	727,109	93,688	—	820,797	1,806,774
7. Electrical Equipment/ Installation	7,690,065	367,901	—	8,057,966	1,363,723	280,479	—	1,644,202	6,413,764
8. Vehicles	9,735,578	781,377	—	10,516,955	2,563,309	733,338	—	3,296,647	7,220,308
9. Computer system	10,682,189	59,800	—	10,741,989	2,279,083	1,143,364	—	3,422,447	7,319,542
10. Office equipment	1,798,651	141,932	—	1,940,583	482,456	66,736	—	549,192	1,391,391
11. Generator	4,021,817	—	—	4,021,817	862,430	143,408	—	1,005,838	3,015,979
12. Leasehold Improvements	562,516	—	—	562,516	63,209	26,730	—	89,939	472,577
13. Air Conditioners	434,486	82,000	—	516,486	25,154	17,806	—	42,960	473,526
14. Tools & Spares	16,414	—	—	16,414	3,905	585	—	4,490	11,924
<b>Total</b>	<b>164,967,378</b>	<b>6,956,348</b>	<b>571,373</b>	<b>171,352,353</b>	<b>37,798,359</b>	<b>6,860,579</b>	<b>1,008</b>	<b>44,657,930</b>	<b>126,694,423</b>

\* This amount represents balance 50% of Cenvat Credit availed on purchase of plant and machinery during the previous period ended 30th June, 2001.



**Schedules Forming Part of the Consolidated Accounts**

		As at 31.03.2002 Rs.
<b>1.06: INVESTMENTS- AT COST</b>		
<b>Quoted</b>		
i) GTCL Mobilecom Technology Limited		97,000
9700 Equity Shares of 10/- each fully paid up		
(Market Value as on 31.03.02		
@ Rs.2.45 per share - Rs. 23465/-)		
<b>Trade, Unquoted</b>		
i) Birla Income Plus bonds as on 01.07.2001	25,000,000	
Less : Sold during the period	<u>20,000,000</u>	
Balance as on 31.03.2002		5,000,000
5,15,460.154 units of Rs. 10/- each (NAV as on 31.03.02		
@ 10.13 per unit - Rs. 52,21,611/-)		
ii) Alliance Liquid Income		15,000,000
14,23,037.19 units of Rs. 10/- each (NAV as on 31.03.02		
@10.68 per unit - Rs.1,51,98,037/-)		
iii) Sun F&C Money Value Fund Bond		10,000,000
9,85,228.735 units of Rs. 10/- each (NAV as on 31.03.02		
@ 10.31 per unit - Rs.1,01,57,708/-)		
iv) IDBI Principal Income Fund		14,000,000
13,43,599.867 units of Rs. 10/- each (NAV as on 31.03.02		
@ 10.3479 per unit - Rs. 1,39,03,437/-)		
v) Reliance Income Fund 9,81,229 units of Rs. 10/- each	10,000,000	
Less : 9,81,229 units Sold during the period	<u>10,000,000</u>	—
vi) Templeton Liquid Fund		12,000,000
1061711.750 units of Rs. 10/- (NAV as on 31.03.2002		
@ 11.30 per unit Rs. 1,19,97,343/-)		
vii) Goldstone Teleservices Limited		5,919,113
4,86,209 Equity Shares of Rs. 4/- each fully paid up		
(Market Value as on 31.03.02 Rs. 26.05 ps		
per share - 1,26,65,745)		
viii) Bharati Televentures Limited		3,073,500
68,300 Equity shares of Rs. 10/- each fully paid up		
(Market Value as on 31.03.02		
Rs. 38.40 ps per share - Rs. 26,22,720/-)		
<b>Total</b>		<u><u>65,089,613</u></u>



**Schedules Forming Part of the Consolidated Accounts**

	As at 31.03.2002 Rs.
<b>1.07: INVENTORIES</b> (As Certified by the Management)	
Raw materials (at cost)	4,224,304
Finished goods (at cost or net realisable value, whichever is lower)	7,467,836
Components and Packing Materials (at cost)	3,209,936
<b>Total</b>	<b>14,902,076</b>
<b>1.08: SUNDRY DEBTORS</b> (Unsecured, Considered Good)	
a. Debts outstanding for a period exceeding 6 months	11,219,125
b. Other Debts	27,174,991
<b>Total</b>	<b>38,394,116</b>
<b>1.09: CASH &amp; BANK BALANCES</b>	
a. Cash on hand	457,530
b. Balances with Scheduled Banks:	
– In Current Accounts	16,270,715
– In Fixed Deposits	40,253,299
– In Fixed Deposits against FLC & BGs	38,497,967
<b>Total</b>	<b>95,479,511</b>



**Schedules Forming Part of the Consolidated Accounts**

		As at 31.03.2002 Rs.
<b>1.10: LOANS &amp; ADVANCES</b>		
<b>(Unsecured, Considered Good)</b>		
a. Advances recoverable in cash or kind or for value to be received		58,881,597
b. Advances to suppliers		687,311
c. Advances to Staff		320,803
d. Balance with Govt. bodies		856,615
f. Deposits		805,070
g. Advance Tax		22,222,192
h. Tax deducted at source		1,155,163
i. Prepaid Expenses		28,935
<b>Total</b>		<b>84,957,686</b>
<b>1.11: CURRENT LIABILITIES</b>		
Sundry Creditors		19,167,885
Other Creditors/liabilities		18,490,838
Statutory Liabilities		656,643
<b>Total</b>		<b>38,315,366</b>
<b>1.12: PROVISIONS</b>		
Provision for Taxation		23,543,158
Provision for Deferred Tax Liability		22,301,102
Provision for Dividend		8,960,480
Provision for Gratuity		635,002
Provision for EL Encashment		301,035
<b>Total</b>		<b>55,740,777</b>
<b>1.13: MISCELLANEOUS EXPENDITURE</b>		
<b>(To the extent not written off or adjusted)</b>		
a. Preliminary Expenses	1,087,423	
Less : Written off during the period	96,540	990,883
<b>Total</b>		<b>990,883</b>

**Schedules Forming Part of the Consolidated Accounts**

		For the Period ended 31.03.2002 Rs.
<b>2.01: SALES</b>		
– Domestic		255,597,481
<b>Total</b>		<u>255,597,481</u>
<b>2.02: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods		7,116,469
Less : Opening Stock of WIP & Finished Goods		<u>35,986,610</u>
<b>Total</b>		<u>-28,870,141</u>
<b>2.03: OTHER INCOME</b>		
Insurance Claims received		294,969
Interest on Fixed Deposits		2,169,598
Service Charges		974,249
Miscellaneous Income		37,458
Interest earned		128,850
Profit on sale of Investments		640,142
Dividend Received		<u>6,271,936</u>
<b>Total</b>		<u>10,517,202</u>
<b>2.04: MATERIAL COST</b>		
Opening Stock		38,101,207
Purchases:		
– Kit Components		66,498,433
– Packing Materials		6,302,473
– Imported Raw materials		14,492,644
Other Purchase Expenses		<u>2,318,042</u>
		127,712,799
Less : Closing Stocks		<u>7,785,607</u>
<b>Total</b>		<u>119,927,192</u>
<b>2.05: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits		12,502,321
Staff Welfare		<u>1,299,129</u>
<b>Total</b>		<u>13,801,450</u>



**Schedules Forming Part of the Consolidated Accounts**

	For the Period ended 31.03.2002 Rs.
<b>2.06: OTHER MANUFACTURING EXPENSES</b>	
Power and fuel	2,731,823
Consumables	771,924
Repairs and Maintenance	
– Plant and Machinery	1,153,594
– Buildings	15,130
– Others	2,399,051
Testing and Inspection Charges	363,028
Job Work Charges	32,819
<b>Total</b>	<b>7,467,369</b>
<b>2.07: ADMINISTRATIVE AND SELLING EXPENSES</b>	
Auditors Remuneration	220,000
Directors Remuneration	907,721
Advertisement	430,416
Electricity	502,596
Rent	926,124
Legal Fees	438,709
Printing and Stationery	423,260
Tender Expenses	127,141
Postage, Telephones and Internet	1,970,129
Insurance	1,883,289
Professional and Consultancy	6,142,228
Fees, Rates and Taxes	191,728
Gifts and Donations	627,225
Vehicle Maintenance	1,744,158
Travelling Expenses	
– Directors	173,284
– Others	2,198,646
Conveyance	1,172,604
Carriage Outward	6,158,187
Sales Tax	9,902,124
Business Promotion	1,229,479
Office Maintenance	309,744
Miscellaneous Expenses	2,369,471
Listing Fees	145,135
Security Charges	435,540
<b>Total</b>	<b>40,628,938</b>
<b>2.08: FINANCIAL EXPENSES</b>	
Interest on Working Capital Loan	2,828,119
Bank Charges & Commission	2,154,400
Other Finance Charges	67,428
<b>Total</b>	<b>5,049,947</b>

**Schedules Forming Part of the Consolidated Accounts****3.00 Significant accounting policies****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:**

- 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:**

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.

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 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.

**Sales Tax Deferment:**

Sales Tax payable is charged to revenue and Sales tax payable on sale of jointing kits in the case of Goldstone Teleservices Limited 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:**

Fixed assets and long term liabilities are accounted at the rates prevailing on the dates of transactions. Current assets and current liabilities are accounted at the rates prevailing on the date of transaction. The differences on the date of realisation are adjusted to the profit & loss account.

All income and expenditure items are accounted on the basis of exchange rates prevailing on the dates of transactions. Sale proceeds are converted into Indian Rupees at the rates prevailing on the dates of receipt. Net exchange difference on foreign currency transactions for the period is recognised in the Profit & Loss Account in the same period.

**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.



## 4.00 NOTES FORMING PART OF ACCOUNTS

### 1. Change of Accounting year:

In order to have uniform accounting period for both Income Tax and Company Law purposes, it was decided to close the books of accounts of the company as on 31.03.2002. Accordingly, the Balance Sheet and Profit and Loss Account are prepared for 9 months period ended 31.03.2002.

### 2. Segment Reporting:

Segment reporting is not applicable to the company since the company deals with only one product and operates only from one place.

### 3. Deferred Tax Liability:

The accumulated net deferred tax liability arising on account of timing differences as on April 1, 2001 amounting to Rs. 223.01 lakhs has been debited to General Reserve Account.

### 4. Retirement Benefits:

Provision for Gratuity and Leave encashment is made in the accounts in respect of employees on the basis of average salary drawn for three years at the rate of fifteen days salary for every completed year.

### 5. Related party disclosures:

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

1. Newtech Stewing Telecom Limited (NSTL) subsidiary company of Goldstone Teleservices Limited (GTSL). ( GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2002.
2. Shree Shree Telecom Private Limited (SSTL), 100% subsidiary company of Goldstone Teleservices Limited (GTSL).

#### b) Accounting Standard – 18 in respect of “ Related Party Disclosures” comes into effect in respect of accounting periods commencing on or after 01.04.2001 Hence the information given below is only in respect of the transactions entered into by the company during the period with related parties.

#### i. Transactions with related parties during the period ending 31.03.2002 are as under :

	Rs. In lakhs (31.03.02)	
	NSTL	SSTL
Sale of finished goods	15.38	20.31
Receipt towards share of common expenses	77.17	29.47
	2001-02 Rs. in Lakhs	2000-01 Rs. in lakhs

#### ii. Managing Director of the Company

##### Remuneration

Sri L P Sashikumar (upto 31.03.2002)	9.08	3.00
--------------------------------------	------	------

No amounts have been written off/provided for or written back during the period in respect of debts due from/or to related parties.

**6. Earnings Per Share (EPS) :**

Calculation of EPS

	(Rs. In Lakhs)
	<b>2001-02</b>
Total No. of Shares outstanding	(Nos.) <b>10840150</b>
Profit after taxes before Extraordinary items	<b>300.09</b>
Profit after taxes after Extraordinary items	<b>168.00</b>
EPS before Non-recurring and Extraordinary items (Rs)	<b>2.77</b>
EPS after Non-recurring and Extraordinary items (Rs)	<b>1.04</b>

**7. Preparation of Consolidated Financial Statements**

List of subsidiary companies considered for consolidation

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

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 period financial statements.

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

On behalf of the Board

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

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

Sd/-  
**K Vasudeva Rao**  
ExecutiveDirector

Place : Secunderabad  
Date : 26.06.2002

# Newtech Stewing Telecom Limited

**Board of Directors**

Mr. L. P. Sashikumar

Mr. J.A.Rao

Mrs. Mahita Prasad Caddell

**Bankers to the Company**

State Bank of India  
Industrial Finance Branch,  
Somajiguda  
Hyderabad.

**Statutory Auditors**

Srinivas P Associates  
Flat No.301, Madhava Apartments,  
Hill Colony,  
Khairatabad,  
Hyderabad - 500 004

**Registered Office**

Block A, Ground Floor,  
Annexe Building, Plot No.1/A  
IDA, Phase - II , Cherlapally,  
Hyderabad - 500 051

**Factory**

Block A, Ground Floor,  
Annexe Building, Plot No.1/A  
IDA, Phase - II , Cherlapally,  
Hyderabad - 500 051

## Twelfth Annual Report 2001-2002





## Directors' Report

To  
The Members of  
Newtech Stewing Telecom Limited

Your directors have pleasure in presenting the Twelfth Annual Report on the business and operations of the company and audited financial statements for the Nine months period ended 31st March, 2002.

### Financial Results:

	Rs in lakhs	
Particulars	2001-02	2000-01
Net Sales/Income from operations	583.27	957.15
Other Income	11.86	8.67
Total Income	595.13	965.82
Operating Profit (PBITD)	35.64	98.20
Interest	13.09	16.71
Depreciation and Write offs	6.95	8.68
Profit Before Tax	15.59	72.81
Provision for Tax	23.00	25.00
Profit after Tax	- 7.41	47.81
Extraordinary items		
Prior period adjustments	66.02	88.69
Deferred Tax Liability (+)	1.94	-
Equity Share Capital	149.51	149.51
Tangible Net worth	329.06	430.74

### Review of Operations

The accounts of your Company have been closed for the nine months period from 1.7.2001 to 31.03.2002 to synchronize with the fiscal year of the country. The accounts for the previous year are for a period of 12 months and hence, figures are not directly comparable. During the period under review, the company registered a gross sales income of Rs 593.13 lakhs as against Rs 957.15 lakhs for the previous year ended 30th June 2001. During the period, your company posted a profit of Rs 15.59 lakhs before income tax. However,

on provision of income tax for the relevant period, your company incurred an operating loss of Rs 7.41 lakhs as against profit of Rs 47.81 lakhs for the previous year.

### Conservation of Energy , Technology absorption, foreign exchange earnings and outgoings

Additional information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo as required to be disclosed in terms of section 217(1)(e) of the Companies act, 1956 read with Companies ( Disclosure of particulars in the Report of Board of Directors) Rules , 1988 is annexed hereto (Annexure -I) and forms part of this Report.

### Particulars of Employees

There are no employees in respect of whom information under section 217(2A) of the Companies Act, read with Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment ) Act, 1988 are required to be furnished.

### Fixed Deposits

Your company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable to the company.

### Insurance

All the properties of your company including its building, plant and machinery and stocks have been adequately insured.

### 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 reappointment. They have furnished a certificate stating that their appointment ,if made will be within the limits laid down under sec.224 (1B) of the Companies Act, 1956.



## Directors' Responsibility Statement

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

- a) That in the preparation of the Accounts for the nine months period ending 31st March, 2002, the applicable Accounting Standards have been followed and there are no material departures there from.
- b) That the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2002 and the profit or loss of the company for the period ended on that date.
- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) That the accounts for the nine months period ended 31st March, 2002 have been prepared

on a going concern basis.

## Directors

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

## Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh and State Bank of India for their continued 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/-  
**J.A.Rao**  
Director

Place : Hyderabad  
Date : 31.08.2002



## **Annexure - I to Directors' Report**

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

### **A. CONSERVATION OF ENERGY**

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

- Not Applicable

### **B. TECHNOLOGY ABSORPTION: RESEARCH AND DEVELOPMENT**

1. Specific Areas in which R & D carried out by the Company : Nil
2. Benefits derived as results of the above R & D : Nil
3. Future Plan of Action
4. Expenditure on R & D
  - a) Capital : Nil
  - b) Recurring : Nil
  - c) Total : Nil
  - d) Total R & D as a percentage of Total turnover : Nil

### **C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : Nil**

### **D. FOREIGN EXCHANGE EARNINGS AND OUT GO**

	(Amount in Rs. Lakhs)	
	For the period ended	For the period ended
	31.03.2002	30.06.2001
Foreign Exchange Transactions :		
i) Value of Imports on CIF basis		
- Raw Materials	44.12	7.12
- Tools & Spares	Nil	Nil
ii) Expenditure in Foreign Currency		
- Traveling Expenses	Nil	Nil
iii) Earnings in Foreign currency (on receipt basis)		
Export of Goods (FOB Basis)	Nil	Nil



## Auditors' Report

To  
The Shareholders of  
Newtech Stewing Telecom Limited

1. We have audited the attached Balance Sheet of Newtech Stewing Telecom Limited as at 31st March, 2002 and the Profit and Loss Account for the nine months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the

Company so far as appears from our examination of the books;

- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
  - ii) in the case of the Profit and Loss Account, of the Profit for the nine months period ended on that date.

For Srinivas P & Associates  
Chartered Accountants

Sd/-  
P.Srinivas  
Proprietor

Place : Secunderabad  
Date : 26.06.2002



## Annexure to Auditors' Report

(Referred to in paragraph 3 of our Report of even date on the accounts of Newtech Stewing Telecom Limited as at 31st March, 2002)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the period.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the period, as informed by the management.
4. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
5. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
6. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
8. The Company has not granted any loans secured or unsecured to Companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
9. In the absence of specific terms and conditions in respect of loans/ advances in the nature of loans given by the Company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000/- (Rupees fifty thousand only) or more in respect

of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.

12. We are informed by the management that there were no damaged stores as at the date of the balance sheet. The unserviceable stocks are charged off to the profit & loss account.
13. The Company has not accepted any deposits from the public during the period under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The Company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the Company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2002 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
20. The Company is not a sick industrial Company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For Srinivas P & Associates  
Chartered Accountants

Sd/-  
P.Srinivas  
Proprietor

Place : Secunderabad  
Date : 26.06.2002



# Newtech Stewing Telecom Limited

## Balance Sheet as at 31st March, 2002

	SCHEDULE	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>I SOURCES OF FUNDS</b>			
<b>1 SHAREHOLDERS FUNDS:</b>			
a. Share Capital	1.01	14,951,120	14,951,120
b. Reserves and Surplus	1.02	18,341,217	28,552,722
		<u>33,292,337</u>	<u>43,503,842</u>
<b>2 LOAN FUNDS:</b>			
a. Secured Loans	1.03	3,236,148	13,309,584
b. Unsecured Loans	1.04	420,000	420,000
		<u>3,656,148</u>	<u>13,729,584</u>
<b>Total</b>		<u>36,948,485</u>	<u>57,233,426</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1 FIXED ASSETS:</b>			
a. Gross Block	1.05	18,127,260	18,127,260
b. Less : Depreciation		9,368,946	8,718,044
Net Block		<u>8,758,314</u>	<u>9,409,216</u>
<b>2 INVESTMENTS</b>	1.06	8,992,613	—
<b>3 CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a. Inventories	1.07	5,783,080	30,315,464
b. Sundry Debtors	1.08	6,967,425	15,857,812
c. Cash and Bank Balances	1.09	12,332,731	15,952,294
d. Loans and Advances	1.10	13,856,150	13,235,154
		<u>38,939,386</u>	<u>75,360,724</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a. Current liabilities	1.11	3,887,039	16,919,188
b. Provisions	1.12	16,240,742	11,047,811
		<u>20,127,781</u>	<u>27,966,999</u>
<b>Net Current Assets</b>		<u>18,811,605</u>	<u>47,393,725</u>
<b>4 Miscellaneous Expenditure</b>	1.13	385,953	430,485
<b>Total</b>		<u>36,948,485</u>	<u>57,233,426</u>
Accounting policies	3.00		
Notes to Accounts	4.00		

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

on behalf of the Board

Sd/-  
**P.Srinivas**  
Proprietor

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

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

Place : Secunderabad  
Date : 26.06.2002



## Newtech Stewing Telecom Limited

### Profit and Loss Account for the Period Ended 31st March, 2002

	SCHEDULE	For the Period ended 31.03.2002 Rs.	For the year ended 30.06.2001 Rs.
<b>INCOME</b>			
Sales	2.01	58,326,976	99,819,665
Accretion / (Decretion) to stocks	2.02	(720,244)	2,868,147
Other Income	2.03	1,186,357	866,549
<b>Total</b>		<b>58,793,089</b>	<b>103,554,361</b>
<b>EXPENDITURE</b>			
Material Cost	2.04	38,617,756	60,404,261
Excise Duty		1,290,332	3,435,670
Personnel Expenditure	2.05	3,077,083	4,498,993
Other Manufacturing Costs	2.06	1,698,386	4,030,732
Administrative and Selling Expenses	2.07	10,545,921	17,255,125
Financial Expenses	2.08	1,309,452	2,813,368
Depreciation		650,903	867,871
Miscellaneous Expenses Written off		44,532	59,376
<b>Total</b>		<b>57,234,365</b>	<b>93,365,396</b>
Profit before Taxation		1,558,724	10,188,965
Provision for taxation		2,300,000	2,500,000
Provision for taxation for earlier year		—	6,259,451
Prior period adjustments (-)		6,601,546	3,102,774
Dividend Tax provision made for earlier year writtenback		—	493,387
Excess Deferred Tax Liability reversed (+)		194,201	—
Profit brought forward from previous year		7,931,441	9,111,315
Profit after tax for the period transferred to Balance Sheet		782,820	7,931,442
Accounting policies	3.00		
Notes to Accounts	4.00		

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

Sd/-

**P.Srinivas**  
Proprietor

Place : Secunderabad  
Date : 26.06.2002

On behalf of the Board

Sd/-

**L.P.Sashikumar**  
Director

Sd/-

**J.A.Rao**  
Director

**Schedules Forming Part of the Accounts**

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.01: SHARE CAPITAL</b>		
Authorised:		
60,00,000 Equity Shares of Rs.10/- each	<u>60,000,000</u>	<u>60,000,000</u>
Issued, Subscribed and Paid up:		
1495112 Equity Shares of Rs.10/- each fully paid up	<u>14,951,120</u>	<u>14,951,120</u>
<b>Total</b>	<u><b>14,951,120</b></u>	<u><b>14,951,120</b></u>
<b>1.02: RESERVES AND SURPLUS</b>		
1 General Reserve	3,500,000	
Less : Accumulated Deferred Tax Liability	<u>3,062,883</u>	437,117
		3,500,000
2 Capital Reduction	17,121,280	17,121,280
3 Profit brought forward from the previous year	7,931,441	
Add : Balance transferred from the Profit and Loss Account	<u>-7,148,621</u>	<u>782,820</u>
		7,931,442
<b>Total</b>	<u><b>18,341,217</b></u>	<u><b>28,552,722</b></u>
<b>1.03: SECURED LOANS</b>		
Working Capital Advances:		
Cash Credit from State Bank of India	<u>3,236,148</u>	13,309,584
<b>Total</b>	<u><b>3,236,148</b></u>	<u><b>13,309,584</b></u>
<b>1.04: UNSECURED LOANS</b>		
Unsecured loan from others	<u>420,000</u>	<u>420,000</u>
<b>Total</b>	<u><b>420,000</b></u>	<u><b>420,000</b></u>



## Schedules Forming Part of the Accounts

### 1.05 : FIXED ASSETS

Amount in Rs.

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	Cost on 01.07.2001	Deductions during the period	As At 31.03.2002	Upto 01.07.2001	For the 9 months period	Deductions during the period	Upto 31.03.2002	As on 31.03.2002	As at 30.06.2001
Furniture & fixtures	374,868	—	<b>374,868</b>	326,077	17,797	—	<b>343,874</b>	<b>30,994</b>	48,791
Office equipments	437,649	—	<b>437,649</b>	224,975	16,114	—	<b>241,089</b>	<b>196,560</b>	212,674
Computers & Software	1,884,624	—	<b>1,884,624</b>	355,615	67,140	—	<b>422,755</b>	<b>1,461,869</b>	1,529,009
Vehicles	19,010	—	<b>19,010</b>	16,467	1,353	—	<b>17,820</b>	<b>1,190</b>	2,543
Plant & machinery	15,411,109	—	<b>15,411,109</b>	7,794,909	548,499	—	<b>8,343,408</b>	<b>7,067,701</b>	7,616,200
Total	18,127,260	—	<b>18,127,260</b>	8,718,043	650,903	—	<b>9,368,946</b>	<b>8,758,314</b>	9,409,217
Previous Year	19,037,132	909,872	<b>18,127,260</b>	8,760,044	867,871	909,872	<b>8,718,043</b>	<b>9,409,217</b>	10,277,088





**Schedules Forming Part of the Accounts**

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.06: INVESTMENTS- AT COST</b>		
<b>Quoted</b>		
a) Goldstone Teleservices Limited 486209 Equity Shares of 4/- each fully paid up (Market Value as on 31.03.02 @ Rs. 26.05 ps per share - Rs. 1,26,65,745/-)	5,919,113	—
b) Bharti Televenture Limited 68300 Equity shares of 10/- each fully paid up (Market Value as on 31.03.02 @ Rs. 38.40 ps per share - Rs. 26,22,720/-)	3,073,500	—
<b>Total</b>	<b>8,992,613</b>	<b>—</b>
<b>1.07: INVENTORIES</b> <b>(As Certified by the Management)</b>		
Raw materials (at cost)	812,990	1,814,576
Finished goods (at cost or net realisable value whichever is lower)	2,877,777	3,598,021
Components and Packing Materials (at cost)	2,092,313	24,902,867
<b>Total</b>	<b>5,783,080</b>	<b>30,315,464</b>
<b>1.08: SUNDRY DEBTORS</b> <b>(Unsecured, Considered Good)</b>		
a. Debts outstanding for a period exceeding 6 months	1,118,227	11,511,278
b. Other Debts	5,849,198	4,346,534
<b>Total</b>	<b>6,967,425</b>	<b>15,857,812</b>
<b>1.09: CASH &amp; BANK BALANCES</b>		
a. Cash on hand	1,230	34,998
b. Balances with Scheduled Banks:		
- In Current Accounts	3,692,944	1,987,724
- In Fixed Deposits against FLC & BGs	8,638,557	13,929,572
<b>Total</b>	<b>12,332,731</b>	<b>15,952,294</b>



**Schedules Forming Part of the Accounts**

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.10: LOANS &amp; ADVANCES</b>		
(Unsecured, Considered Good)		
a. Advances recoverable in cash or kind or for value to be received	1,181,527	747,917
b. Advances to suppliers	21,750	217,109
c. Advances to Staff	9,400	1,600
d. Balance with Govt bodies	418,844	1,075,825
e. Deposits	10,000	260,313
f. Advance Tax	11,959,451	10,759,451
g. Tax deducted at source	255,178	150,403
h. Prepaid Expenses	—	22,536
<b>Total</b>	<b>13,856,150</b>	<b>13,235,154</b>
<b>1.11: CURRENT LIABILITIES</b>		
Sundry Creditors	3,303,008	5,805,425
Other Creditors/liabilities	396,301	10,963,834
Statutory Liabilities	187,730	149,929
<b>Total</b>	<b>3,887,039</b>	<b>16,919,188</b>
<b>1.12: PROVISIONS</b>		
Provision for Taxation	13,059,451	10,759,451
Provision for Deferred Tax Liability	2,868,682	—
Provision for Dividend	288,360	288,360
Provision for Gratuity	15,369	—
Provision for EL Encashment	8,880	—
<b>Total</b>	<b>16,240,742</b>	<b>11,047,811</b>
<b>1.13: MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
a. Preliminary Expenses	430,485	
Less : Written off during the period	44,532	385,953
<b>Total</b>	<b>385,953</b>	<b>430,485</b>



**Schedules Forming Part of the Accounts**

	For the Period ended 31.03.2002 Rs.	For the Year ended 30.06.2001 Rs.
<b>2.01: SALES</b>		
– Domestic	58,326,976	99,819,665
<b>Total</b>	<u>58,326,976</u>	<u>99,819,665</u>
<b>2.02: ACCRETION / (DECRETION) TO STOCKS</b>		
Closing Stock of WIP & Finished Goods	2,877,777	3,598,021
Less : Opening Stock of WIP & Finished Goods	3,598,021	729,874
<b>Total</b>	<u>-720,244</u>	<u>2,868,147</u>
<b>2.03: OTHER INCOME</b>		
Insurance Claims received	121,461	—
Interest on Fixed Deposits	424,754	866,549
Profit on Sale of Investments	640,142	—
<b>Total</b>	<u>1,186,357</u>	<u>866,549</u>
<b>2.04: MATERIAL COST</b>		
Opening Stock	26,717,443	19,385,763
Purchases:		
– Kit Components	7,982,897	42,457,524
– Packing Materials	1,284,918	5,985,730
– Imported Raw materials	5,437,262	18,823,409
Other Purchase Expenses	100,539	469,278
	<u>41,523,059</u>	<u>87,121,704</u>
Less : Closing Stocks	2,905,303	26,717,443
<b>Total</b>	<u>38,617,756</u>	<u>60,404,261</u>
<b>2.05: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	2,820,260	3,923,197
Staff Welfare	256,823	575,796
<b>Total</b>	<u>3,077,083</u>	<u>4,498,993</u>



**Schedules Forming Part of the Accounts**

	For the Period ended 31.03.2002 Rs.	For the Year ended 30.06.2001 Rs.
<b>2.06: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	628,006	1,797,313
Consumables	141,763	275,585
Repairs and Maintenance		
– Plant and Machinery	212,115	827,815
– Buildings	3,590	61,056
– Others	445,929	786,382
Testing and Inspection Charges	241,644	120,052
Job Work Charges	25,339	162,529
<b>Total</b>	<b>1,698,386</b>	<b>4,030,732</b>
<b>2.07: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Auditors Remuneration	75,000	75,000
Advertisement	107,235	69,956
Electricity	110,121	205,980
Rent	234,122	399,886
Legal Fees	162,804	310,504
Printing and Stationery	128,874	220,212
Tender Expenses	36,560	56,094
Postage, Telephones and Internet	442,768	1,102,926
Insurance	313,278	530,883
Professional and Consultancy	2,876,300	3,602,097
Fees, Rates and Taxes	25,060	222,192
Gifts and Donations	146,119	202,810
Vehicle Maintenance	373,032	495,798
Travelling Expenses		
– Directors	30,440	69,492
– Others	476,173	939,516
Conveyance	225,076	385,177
Carriage Outward	1,655,781	2,352,808
Sales Tax	2,238,816	4,104,838
Business Promotion	258,069	574,131
Office Maintenance	40,627	230,737
Miscellaneous Expenses	506,309	953,412
Security Charges	83,357	150,676
<b>Total</b>	<b>10,545,921</b>	<b>17,255,125</b>
<b>2.08: FINANCIAL EXPENSES</b>		
Interest on Working Capital Loan	733,440	1,641,338
Bank Charges & Commission	575,781	1,140,789
Other Finance Charges	231	31,241
<b>Total</b>	<b>1,309,452</b>	<b>2,813,368</b>



## 3.00 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.

### 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 settled claims amounting to Rs 22,449 to BIFR creditors during the period. Claims for Rs 12.07 lakhs are to be received from parties. (Previous year Rs 12.29 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:

Fixed assets and long term liabilities are accounted at the rates prevailing on the dates of transactions. Current assets and current liabilities are accounted at the rates prevailing on the date of transaction. The differences on the date of realisation are adjusted to the profit & loss account.

All income and expenditure items are accounted on the basis of exchange rates prevailing on the dates of transactions. Sale proceeds are converted into Indian Rupees at the rates prevailing on the dates of receipt. Net exchange difference on foreign currency transactions for the period is recognised in the Profit & Loss Account in the same period.

### 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:

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



## 4.00 NOTES FORMING PART OF ACCOUNTS

### 1. Change of Accounting Year

In order to have uniform accounting period for both Income tax and Company Law purposes, it was decided to close the books of accounts of the Company as on 31.03.2002. Accordingly, the Balance Sheet and Profit and Loss Account are prepared for 9 months ended 31.03.2002.

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

### 3. 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 66,01,546 shown in the Profit & Loss account is the net amount of the expenditure and incomes pertaining to earlier years including Rs 29,34,878 towards downward revision of in prices for supplies effected by the Company during the earlier years on the basis of finalisation of tender prices by the Department of Telecommunications during the current period and Rs 21,37,269 on account of Liquidated Damages. Further, an amount of Rs 1,66,398 being the expenditure pertaining to earlier years, Rs 1,27,540 income pertaining to earlier years and Rs 14,90,541 representing sundry balances written off are also included.

### 5. Deferred Tax Liability

The accumulated net deferred tax liability as per

Accounting Standard 22 arising on account of timing difference as on 1.4.2001 amounting to Rs 30.62 lakhs has been debited to General Reserve Account.

### 6. Retirement Benefits

Provision for gratuity and leave encashment is made in the accounts in respect of employees on the basis of average salary drawn for three years at the rate of fifteen days for every completed year of service.

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

### 8. Inventory worth Rs 4.38 lakhs is written off and charged to Profit & Loss Account as the same is considered slow moving in nature.

### 9. Contingent Liabilities

Rs in lakhs	
As at 31.03.02	As at 31.06.01

#### 1. Contingent Liabilities not provided for :

a) Bank Guarantees issued by State Bank of India towards Performance Guarantees on behalf of the Company	247.33	259.90
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b) Income Tax matters in which the Company is in appeal	Nil	Nil
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2. Estimated amount of contracts to be executed on Capital Account and not provided for	4.75	4.75
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As per our report of even date  
For **Srinivas P & Associates**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**P.Srinivas**  
Proprietor

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

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

**Schedules Forming Part of the Accounts**

		<b>For the Period ended 31.03.2002</b>	<b>For the year ended 30.06.2001</b>
<b>SCHEDULE NO. 4 (CONTD..)</b>			
<b>ADDITIONAL INFORMATION REQUIRED AS PER PARA 3 &amp; 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956</b>			
1	Licensed & Installed Capacities		
a.	Licensed capacity (Nos)		
	– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits (Nos)	<b>500,000</b>	500,000
b.	Installed Capacity (Nos)		
	– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits (Nos)	<b>400,000</b>	400,000
2	Production		
	– Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits (Nos)	<b>111,948</b>	220,911
3	Purchase of Components & Rawmaterials Value (Rs.)	<b>14,805,616</b>	67,735,941
4	Production of Cable Jointing Kits (Nos)	<b>110,335</b>	196,672
5	Turnover		
	– Sale of kits (Nos)	<b>110,335</b>	196,672
	Value (Rs.)	<b>58,326,976</b>	98,072,890
	– Sale of others Value (Rs.)	<b>—</b>	1,746,775
		<b>58,326,976</b>	<b>99,819,665</b>
6	Opening & Closing Stocks		
	<b>Opening Stock</b>		
	– Manufactured Sleeves (Nos)	<b>29,977</b>	5,738
	Value (Rs.)	<b>1,674,859</b>	729,874
	– Work in process Value (Rs.)	<b>1,923,162</b>	—
	– Purchased Components & Rawmaterials Value (Rs.)	<b>26,717,443</b>	19,385,763
		<b>30,315,464</b>	<b>20,115,637</b>
	<b>Closing Stock</b>		
	– Manufactured Sleeves (Nos)	<b>31,590</b>	29,977
	Value (Rs.)	<b>1,299,674</b>	1,674,859
	– Work in process Value (Rs.)	<b>1,578,103</b>	1,923,162
	– Purchased Components & Rawmaterials Value (Rs.)	<b>2,905,303</b>	26,717,443
		<b>5,783,080</b>	<b>30,315,464</b>





**Schedules Forming Part of the Accounts**

		For the Period ended 31.03.2002	For the year ended 30.06.2001
7	Raw Materials Consumption		
	– Hotmelt Adhesive	Kgs <b>18,284</b>	44,456
		Value (Rs.) <b>4,169,009</b>	10,072,124
	– Granules	kgs <b>18,000</b>	42,000
		Value (Rs.) <b>1,470,090</b>	9,281,356
	– Film Rolls	Nos. —	82
		Value (Rs.) —	347,251
	– Others	Value (Rs.) <b>32,978,657</b>	40,703,530
		<b>38,617,756</b>	<b>60,404,261</b>
8	Consumption of Imported & Indegenous Materials		
	– Imported Materials	Value (Rs.) <b>5,639,099</b>	19,700,731
		% <b>14.60</b>	32.61
	– Indegenous Materials	Value (Rs.) <b>32,978,657</b>	40,703,530
		% <b>85.40</b>	67.39
	<b>Total</b>	Value (Rs.) <b>38,617,756</b>	<b>60,404,261</b>
		% <b>100</b>	100
9	Foreign Exchange Transactions		
	Value of Imports on CIF Basis		
	– Raw materials	Value (Rs.) <b>4,412,030</b>	711,501
10	Auditors's Remuneration		
	Audit Fee	(Rs.) <b>75,000</b>	75,000
		<b>75,000</b>	<b>75,000</b>



Balance Sheet Abstract and Company's Business Profile

I. Registration Details :

Registration No.	<div><div></div><div></div><div>1</div><div>0</div><div>7</div><div>3</div><div>1</div></div>	State Code	<div><div>0</div><div>1</div></div>
Balance Sheet Date	<div><div></div><div>3</div><div>1</div><div>0</div><div>3</div><div>0</div><div>2</div></div>	Date Month Year	

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

Public Issue	<div><div></div><div></div><div></div><div></div><div>N</div><div>I</div><div>L</div></div>	Rights Issue	<div><div></div><div></div><div></div><div></div><div>N</div><div>I</div><div>L</div></div>
Bonus Issue	<div><div></div><div></div><div></div><div></div><div>N</div><div>I</div><div>L</div></div>	Private Placement	<div><div></div><div></div><div></div><div></div><div>N</div><div>I</div><div>L</div></div>

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

Sources of Funds:			
Total Liabilities	<div><div></div><div>3</div><div>6</div><div>9</div><div>.</div><div>4</div><div>8</div></div>	Total Assets	<div><div></div><div>3</div><div>6</div><div>9</div><div>.</div><div>4</div><div>8</div></div>
Paid-up Capital	<div><div></div><div>1</div><div>4</div><div>9</div><div>.</div><div>5</div><div>1</div></div>	Reserves and Surplus	<div><div></div><div>1</div><div>8</div><div>3</div><div>.</div><div>4</div><div>1</div></div>
Secured Loans	<div><div></div><div></div><div>3</div><div>2</div><div>.</div><div>3</div><div>6</div></div>	Unsecured Loans	<div><div></div><div></div><div></div><div>4</div><div>.</div><div>2</div><div>0</div></div>
Application of Funds:			
Net Fixed Assets	<div><div></div><div></div><div>8</div><div>7</div><div>.</div><div>5</div><div>8</div></div>	Investments	<div><div></div><div></div><div>8</div><div>9</div><div>.</div><div>9</div><div>2</div></div>
Net Current Assets	<div><div></div><div>1</div><div>8</div><div>8</div><div>.</div><div>1</div><div>2</div></div>	Misc. Expenditure	<div><div></div><div></div><div></div><div>3</div><div>.</div><div>8</div><div>6</div></div>
Accumulated Losses	<div><div></div><div></div><div></div><div></div><div>N</div><div>I</div><div>L</div></div>		

IV. Performance of company (Amount in Rs. Lakhs)

Turnover/Income	<div><div></div><div>5</div><div>9</div><div>5</div><div>.</div><div>1</div><div>3</div></div>	Total Expenditure	<div><div></div><div>5</div><div>7</div><div>9</div><div>.</div><div>5</div><div>4</div></div>
Profit before tax	<div><div></div><div></div><div>1</div><div>5</div><div>.</div><div>5</div><div>9</div></div>	Profit after tax	<div><div></div><div></div><div>-</div><div>7</div><div>.</div><div>4</div><div>1</div></div>
Earning per Share in Rs.	<div><div></div><div></div><div></div><div></div><div>N</div><div>.</div><div>A</div></div>	Dividend Rate	<div><div></div><div></div><div></div><div></div><div>N</div><div>A</div></div>

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	:	754690
Product Description	:	Thermoweld Filled Heat Shrinkable Sleeves
Item Code No. (ITC Code)	:	854790
Product Description	:	Jelly Filled Telephone Cable Jointing Kits & Sub Kits

On behalf of the Board

Sd/-  
L.P.Sashikumar  
Director

Sd/-  
J.A. Rao  
Director

# Shree Shree Telecom Private Limited

**Board of Directors**

Mr. L. P. Sashikumar

Mr. J.A.Rao

**Bankers to the Company**

State Bank of Hyderabad  
Punjagutta Branch  
Hyderabad.

**Statutory Auditors**

Boppudi & Associates  
301, Sai Ram Suman Residency,  
1-1-541,  
Gandhinagar,  
Hyderabad - 500 020

**Registered Office**

9-1- 83 & 84  
Amarchand Sharma Complex,  
Sarojini Devi Road,  
Secunderabad - 500 003

**Factory**

Plot No. 152 A,  
IDA, Phase II, Cherlapally,  
Hyderabad - 500 051

## Second Annual Report 2001-2002



## Directors' Report

To  
The Members of  
Shree Shree Telecom Private Limited

Your directors have pleasure in presenting the Second Annual Report on the business and operations of the company and audited financial statements for the nine months period ended 31st March, 2002.

### Financial Results

Rs in lakhs		
Particulars	2001-02	2000-01
Sales	256.40	297.76
Other Income	2.50	0.45
Total Expenditure	241.97	274.59
Operating Profit (PBITD)	16.93	23.61
Interest	2.95	4.68
Depreciation and Write offs	0.89	2.92
Profit Before Tax	13.09	16.01
Provision for Tax	5.84	3.50
Profit after Tax	7.25	12.51
Equity Share Capital	190.00	15.00
Tangible Net worth	206.32	27.30

### Review of Operations

The accounts of your Company have been closed for the nine months period from 1.7.2001 to 31.03.2002 to synchronize with the fiscal year of the country. The accounts for the previous year are for a period of 14 months and hence, figures are not directly comparable. During the nine months period under review, the company registered a gross sales income of Rs 256.40 lakhs as against Rs 297.76 lakhs for the previous period ended 30th June 2001. During the period, your Company posted a net profit of Rs 7.25 lakhs as against Rs 12.51 lakhs for the previous period.

### Conservation of Energy, Technology absorption, foreign exchange earnings and outgoings

Additional information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo as required to be disclosed in terms of section 217(1)(e) of the Companies act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto (Annexure -I) and forms part of this Report.

### Particulars of Employees

There are no employees in respect of whom information under section 217(2A) of the Companies Act, read with Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988 are required to be furnished.

### Fixed Deposits

Your company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable to the company.

### Insurance

All the properties of your company including its building, plant and machinery and stocks have been adequately insured.

### 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 reappointment. They have furnished a certificate stating that their appointment, if made will be within the limits laid down under sec.224 (1B) of the Companies Act, 1956.

### Directors' Responsibility Statement

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

- That in the preparation of the Accounts for the nine months period ending 31st March, 2002, the applicable Accounting Standards have been followed and there are no material departures there from.
- That the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2002 and the profit or loss of the company for the period ended on that date.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the accounts for the nine months period ended 31st March, 2002 have been prepared on a going concern basis.

### Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh and State Bank of Hyderabad for their continued 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

Place : Hyderabad  
Date : 31.08.2002

Sd/-  
J.A.Rao  
Director



## Annexure - I to Directors' Report

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

### A. CONSERVATION OF ENERGY

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

- Not Applicable

### B. TECHNOLOGY ABSORPTION: RESEARCH AND DEVELOPMENT

1. Specific Areas in which R & D carried out by the Company : Nil
2. Benefits derived as results of the above R & D : Nil
3. Future Plan of Action
4. Expenditure on R & D
  - a) Capital : Nil
  - b) Recurring : Nil
  - c) Total : Nil
  - d) Total R & D as a percentage of Total turnover : Nil

### C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : Nil

### D. FOREIGN EXCHANGE EARNINGS AND OUT GO

	(Amount in Rs. Lakhs) For the period ended	
	31.03.2002	30.06.2001
Foreign Exchange Transactions :		
i) Value of Imports on CIF basis		
– Raw Materials	Nil	Nil
– Tools & Spares	Nil	Nil
ii) Expenditure in Foreign Currency		
– Traveling Expenses	Nil	Nil
iii) Earnings in Foreign currency (on receipt basis) Export of Goods (FOB Basis)	Nil	Nil



## **Auditors' Report**

To  
The Shareholders of  
**Shree Shree Telecom Private Limited**

1. We have audited the attached Balance Sheet of Shree Shree Telecom Private Limited as at 31st March, 2002 and the Profit and Loss Account for the nine months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
    - ii) in the case of the Profit and Loss Account, of the Profit for the nine months period ended on that date.

**For Boppudi & Associates**  
Chartered Accountants

Place : Secunderabad  
Date : 26.06.2002

Sd/-  
**B.Apparao**  
Proprietor



## Annexure to Auditors' Report

(Referred to in paragraph 3 of our Report of even date on the accounts of Shree Shree Telecom Private Limited as at 31st March, 2002)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the management physically verified the same and no discrepancies were noticed on such physical verification of Fixed Assets as compared with book records.
2. Fixed Assets were not revalued during the period.
3. The stocks of finished goods, stores, raw materials and packing materials have been physically verified by the management during the period, as informed by the management.
2. In our opinion, the procedure for physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
3. We are informed that the marginal discrepancies noticed on physical verification of stocks are properly reflected in the stock records to reflect the correct position of the stocks.
4. In our opinion, on the basis of examination of stock records by us, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
5. The Company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Provisions of section 370(1B) of the Companies Act, 1956 have since been made inoperative.
6. The Company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956.
7. In the absence of specific terms and conditions in respect of loans/ advances in the nature of loans given by the Company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether are also regular in payment of interest.
8. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
9. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs. 50,000/- (Rupees fifty thousand only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.
10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transaction of sale of goods, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs. 50,000/- (Rupees fifty thousand only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such goods or the prices at which transactions of similar goods have been made with other parties.
12. We are informed by the management that there were no damaged stores as at the date of the balance sheet. The unserviceable stocks are charged off to the profit & loss account.
13. The Company has not accepted any deposits from the public during the period under audit in contravention of Section 58A of the Companies Act, 1956.
14. The Company has no realisable by-products. The Company is maintaining adequate inventory records in respect of scrap or damaged goods, as informed to us by the management.
15. In our opinion, the Internal audit functions carried out by a firm of Chartered Accountants appointed by the management are commensurate with the size of the Company and the nature of its business.
16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the Company.
17. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
18. There are no amounts outstanding on 31st March, 2002 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
20. The Company is not a sick industrial Company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For Boppudi & Associates  
Chartered Accountants

Place : Secunderabad  
Date : 26.06.2002

Sd/-  
B.Apparao  
Proprietor



# Shree Shree Telecom Private Limited

## Balance Sheet as at 31st March, 2002

	Sch. No.	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>I SOURCES OF FUNDS</b>			
<b>1 SHAREHOLDERS FUNDS:</b>			
a. Share Capital	1.01	19,000,000	1,500,000
b. Reserves and Surplus	1.02	1,651,842	1,251,898
<b>Total</b>		<b>20,651,842</b>	<b>2,751,898</b>
<b>Total Sources</b>		<b>20,651,842</b>	<b>2,751,898</b>
<b>II APPLICATION OF FUNDS</b>			
<b>1 FIXED ASSETS:</b>			
a. Gross Block	1.03	2,454,697	2,689,937
b. Less : Depreciation		172,592	289,562
c. Net Block		2,282,105	2,400,375
<b>2 CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a. Inventories	1.04	513,602	1,339,887
b. Sundry Debtors	1.05	1,343,027	4,442,269
c. Cash and Bank Balance	1.06	4,763,365	3,621,329
d. Loans and Advances	1.07	19,081,086	23,917,754
<b>Total</b>		<b>25,701,080</b>	<b>33,321,239</b>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a. Current liabilities	1.08	6,090,925	32,641,110
b. Provisions	1.09	1,259,979	350,000
<b>Total</b>		<b>7,350,904</b>	<b>32,991,110</b>
<b>Net Current Assets</b>		<b>18,350,176</b>	<b>330,129</b>
<b>3 Miscellaneous Expenditure</b>	1.10	19,561	21,394
<b>Total</b>		<b>20,651,842</b>	<b>2,751,898</b>
Accounting policies	3.00		
Notes on Accounts	4.00		

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

on behalf of the board

Sd/-  
**B.Apparao**  
Proprietor

Sd/-  
**L P Sashikumar**  
Director

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

Place : Secunderabad  
Date : 26th June, 2002





## Shree Shree Telecom Private Limited

### Profit and Loss Account for the Period Ended 31st March, 2002

	Sch.No.	For the period 9 months ended 31.03.2002 Rs.	For the period ended 30.06.2001 Rs.
<b>INCOME</b>			
Sales	2.01	25,639,818	29,776,052
Other Income	2.02	250,213	44,611
<b>Total</b>		<b>25,890,031</b>	<b>29,820,663</b>
<b>EXPENDITURE</b>			
Material Cost	2.03	16,065,405	17,439,945
Excise Duty		645,681	929,376
Personnel Expenditure	2.04	1,343,221	1,916,070
Other Manufacturing Costs	2.05	1,440,478	1,752,561
Administrative and Selling Expenses	2.06	4,701,995	5,419,736
Financial Expenses	2.07	295,054	468,459
Depreciation		87,449	289,562
Miscellaneous Expenses Written off		1,833	3,056
<b>Total</b>		<b>24,581,116</b>	<b>28,218,765</b>
Profit before Taxation		1,308,915	1,601,898
Provision for taxation		583,707	350,000
Profit after tax for the year		725,208	1,251,898
Prior period adjustments (+)		1,008	—
Deferred Tax Liability		124,749	—
Add : Profit brought forward from the previous year		1,251,898	—
Profit Transferred to Balance Sheet		<b>1,853,365</b>	<b>1,251,898</b>
Accounting policies	3.00		
Notes on Accounts	4.00		

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

on behalf of the board

Sd/-  
**B.Apparao**  
Proprietor

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

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

Place : Secunderabad  
Date : 26th June, 2002



**Schedules Forming Part of the Accounts**

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.01: SHARE CAPITAL</b>		
Authorised:		
1,50,000 Equity Shares of Rs. 10 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued, Subscribed and Paid up:		
1,50,000 Equity Shares of Rs. 10/- each fully paid up	<u>1,500,000</u>	<u>1,500,000</u>
Share application money received	<u>7,500,000</u>	<u>—</u>
<b>Total</b>	<u><b>19,000,000</b></u>	<u><b>1,500,000</b></u>
<b>1.02: RESERVES AND SURPLUS</b>		
Surplus:		
Profit brought forward from the previous year	<b>1,251,898</b>	
Less : Accumulated Deferred Tax Liability	<b>201,523</b>	
Add : Balance transfer from the Profit and Loss A/c	<u><b>601,467</b></u>	<u>1,251,898</u>
<b>Total</b>	<u><b>1,651,842</b></u>	<u><b>1,251,898</b></u>
<b>1.04: INVENTORIES</b>		
(As Certified by the Management)		
Raw materials (at cost)	<u>—</u>	<u>752,235</u>
Finished goods (at cost or net realisable value Whichever is less)	<u><b>351,367</b></u>	<u>10,049</u>
Components and Packing Materials (at cost)	<u><b>162,235</b></u>	<u>577,603</u>
<b>Total</b>	<u><b>513,602</b></u>	<u><b>1,339,887</b></u>
<b>1.05: SUNDRY DEBTORS</b>		
(Unsecured Considered Good)		
a. Debts outstanding for a period exceeding 6 months	<u>—</u>	<u>—</u>
b. Other Debts	<u><b>1,343,027</b></u>	<u>4,442,269</u>
<b>Total</b>	<u><b>1,343,027</b></u>	<u><b>4,442,269</b></u>



## Schedules Forming Part of the Accounts

### 1.03 : FIXED ASSETS

Amount in Rs.

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.07.2001 Rs.	Additions during the period Rs.	Deductions during the period Rs.	As on 31.03.2002 Rs.	Upto 01.07.2001 Rs.	For the Period 9 months Rs.	Deductions during the period Rs.	As on 31.03.2002 Rs.	As on 31.03.2002 Rs.	As on 30.06.2001 Rs.
1. Electrical Equipment	89,988	—	—	89,988	3,197	3,206	—	6,403	83,585	86,791
2. Electrical Installation	22,853	—	—	22,853	812	814	—	1,626	21,227	22,041
3. Plant & Machinery	2,255,304	—	31,829	2,223,475	77,962	79,211	1,008	156,165	2,067,310	2,177,342
4. Lab tools and Equipment	118,381	—	—	118,381	4,180	4,217	—	8,397	109,984	114,201
5. Temporary Sheds.	203,411	—	203,411	—	203,411	—	203,411	—	—	—
<b>Total</b>	2,689,937	—	235,240	2,454,697	289,562	87,448	204,419	172,591	2,282,106	2,400,375
Previous year	—	2,689,937	—	2,689,937	—	289,562	—	289,562	2,400,375	—



## Schedules Forming Part of the Accounts

	As at 31.03.2002 Rs.	As at 30.06.2001 Rs.
<b>1.06: CASH &amp; BANK BALANCES</b>		
Balances with Scheduled Banks:		
– In Current Accounts	137,698	626,618
– In Fixed Deposits against Bank Guarantees	4,625,667	2,994,711
<b>Total</b>	<b>4,763,365</b>	<b>3,621,329</b>
<b>1.07: LOANS &amp; ADVANCES</b> (Unsecured, Considered Good)		
a. Advances recoverable in cash or kind or for value to be received	1,040,241	6,636,137
b. Advances to others	17,160,000	17,160,000
c. Advance to suppliers	1,582	982
d. Balance with Central Excise	7,522	11,635
e. Deposits	109,000	109,000
f. Advance Tax	762,741	—
<b>Total</b>	<b>19,081,086</b>	<b>23,917,754</b>
<b>1.08: CURRENT LIABILITIES</b>		
Sundry Creditors	4,016,399	507,431
Other Creditors/liabilities	2,048,117	31,957,871
Statutory Liabilities	26,409	175,808
<b>Total</b>	<b>6,090,925</b>	<b>32,641,110</b>
<b>1.09: PROVISIONS</b>		
Provision for Taxation	933,707	350,000
Provision for Deferred Tax Liability	326,272	—
<b>Total</b>	<b>1,259,979</b>	<b>350,000</b>
<b>1.10: MISCELLANEOUS EXPENDITURE</b>		
Preliminary Expenditure	21,394	
Less : Written Off During the period	1,833	21,394
<b>Total</b>	<b>19,561</b>	<b>21,394</b>



**Schedules Forming Part of the Accounts**

	For the period 9 months ended 31.03.2002 Rs.	For the period ended 30.06.2001 Rs.
<b>2.01: SALES</b>		
– Domestic	25,639,818	29,776,052
<b>Total</b>	<b>25,639,818</b>	<b>29,776,052</b>
<b>2.02: OTHER INCOME</b>		
Interest on Fixed Deposits	250,213	39,911
Insurance Claims received	—	4,700
<b>Total</b>	<b>250,213</b>	<b>44,611</b>
<b>2.03: MATERIAL COST</b>		
Opening Stock	1,339,887	—
Purchases:		
– Raw materials	2,104,696	5,783,061
– Kit Components	11,723,118	11,365,807
– Packing Materials	899,411	1,610,906
Other Purchase Expenses	511,895	20,058
	16,579,007	18,779,832
Less : Closing Stocks	513,602	1,339,887
<b>Total</b>	<b>16,065,405</b>	<b>17,439,945</b>
<b>2.04: PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	992,697	1,473,181
Staff Welfare	350,524	308,834
<b>Total</b>	<b>1,343,221</b>	<b>1,782,015</b>



**Schedules Forming Part of the Accounts**

	For the period 9 months ended 31.03.2002 Rs.	For the period ended 30.06.2001 Rs.
<b>2.05: OTHER MANUFACTURING EXPENSES</b>		
Power and fuel	298,067	879,026
Consumables	540	13,967
Repairs and Maintenance		
– Plant and Machinery	476,629	323,028
– Buildings	1,571	70,763
– Others	638,267	384,245
Testing and Inspection Charges	25,404	81,532
<b>Total</b>	<b>1,440,478</b>	<b>1,752,561</b>
<b>2.06: ADMINISTRATIVE AND SELLING EXPENSES</b>		
Auditors Remuneration	20,000	20,000
Advertisement	33,176	34,723
Electricity Charges- office	45,862	96,948
Rent	240,066	298,390
Legal Fees	33,355	122,753
Printing and Stationery	42,625	100,977
Tender Expenses	35,172	54,384
Postage,Telephones and Internet	181,543	456,898
Insurance	118,880	88,810
Professional and Consultancy	992,269	825,997
Fees, Rates and Taxes	11,294	12,190
Gifts and Donations	51,677	96,715
Vehicle Maintenance	308,121	261,286
Travelling Expenses	198,776	415,962
Conveyance	261,735	187,618
Carriage Outward	419,872	350,680
Sales Tax	968,266	1,144,048
Business Promotion	300,176	251,942
Office Maintenance	144,632	109,086
Miscellaneous Expenses	199,482	495,140
Security Charges	95,016	129,244
<b>Total</b>	<b>4,701,995</b>	<b>5,553,791</b>
<b>2.07: FINANCIAL EXPENSES</b>		
Bank Charges	89,176	117,087
Bank Commission	205,878	351,372
<b>Total</b>	<b>295,054</b>	<b>468,459</b>



## Schedules Forming Part of the Accounts

### Schedule No. 3

#### SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Preparation of Financial Statements

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

##### Revenue recognition :

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

##### Fixed Assets:

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

##### Inventories:

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

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

##### CENVAT CREDIT

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

##### Miscellaneous Expenditure:

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

##### Income Tax:

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

#### 4.00 NOTES FORMING PART OF ACCOUNTS

##### 1. Change of Accounting Year

In order to have uniform accounting period for both Income tax and Company Law purposes, it was decided to close the books of accounts of the Company as on 31.03.2002. Accordingly, the Balance Sheet and Profit and Loss Account are prepared for 9 months ended 31.03.2002. The previous accounting period was for fifteen months from 24.04.2000 to 30.06.2001.

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

1. 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.

2. 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 250213 which has been included in the Profit & Loss account.

##### 5. Deferred Tax Liability

The accumulated net deferred tax liability as per Accounting Standard 22 arising on account of timing difference as on 1.4.2001 amounting to Rs 2.02 lakhs has been debited to Profit & Loss Account (opening balance).

6. 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.

##### 7. Contingent Liabilities

Bank guarantees issued by bank towards Bid/ Performance guarantees Rs 49,87,075 (Previous Year Rs 96,07,808).

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

For and on behalf of the Board

Sd/-  
**B.Apparao**  
Proprietor

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

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



**Schedules Forming Part of the Accounts**

		For the Period ended 31.03.2002	For the year ended 30.06.2001
<b>Schedule 4.00 (Contd..)</b>			
<b>ADDITIONAL INFORMATION REQUIRED AS PER PARA 3 &amp; 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956</b>			
i	Licensed & Installed Capacities: HS Sleeves	<b>400,000</b>	400,000
ii	Production (Nos)		
	– Heat Shrinkable Sleeves for Telecom Cable Jointing Kits (Nos)	<b>61,105</b>	79,291
iii	Purchase of Components & Raw materials Value (Rs.)	<b>15,239,120</b>	18,779,832
iv	Production of Cable Jointing Kits (Nos)	<b>61,215</b>	79,152
v	Turnover		
	– Jointing kits (Nos)	<b>61,215</b>	79,152
	Value (Rs.)	<b>25,639,818</b>	29,776,052
vi	<b>Opening Stocks</b>		
	– Manufactured Sleeves (Nos)	<b>139</b>	0
	Value (Rs.)	<b>10,049</b>	0
	– Components & Raw materials Value (Rs.)	<b>1,329,838</b>	0
vi	<b>Closing Stock</b>		
	– Manufactured Sleeves (Nos)	<b>29</b>	139
	Value (Rs.)	<b>1,871</b>	10,049
	– Work in Progress Value (Rs.)	<b>162,235</b>	0
	– Components & Raw materials Value (Rs.)	<b>349,497</b>	1,329,838
		<b>513,603</b>	<b>1,339,887</b>
vii	<b>Raw Materials Consumed</b>		
	– Hotmelt Adhesive Kgs	<b>6,500</b>	8,180
	Value (Rs.)	<b>1,193,938</b>	2,254,407
	– Profile Kgs	<b>8,885</b>	11,700
	Value (Rs.)	<b>1,600,986</b>	3,528,649
	– Others Value (Rs.)	<b>13,270,481</b>	11,656,889
		<b>16,065,405</b>	<b>17,439,945</b>





**Schedules Forming Part of the Accounts**

		For the Period ended 31.03.2002	For the year ended 30.06.2001
viii	Consumption of Imported & Indigenous Materials		
	– Imported Materials	Value (Rs.)	2,254,407
		%	12.93%
	– Indigenous Materials	Value (Rs.)	15,185,538
		%	87.07%
	– Total	Value (Rs.)	17,439,945
		%	100%
ix	Auditors' Remuneration		
	Audit Fee	(Rs.)	12,500
	Taxation Matters	(Rs.)	7,500
		<b>20,000</b>	<b>20,000</b>

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

On behalf of the Board

Sd/-  
**B.Apparao**  
Proprietor

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

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

Place : Secunderabad  
Date : 26th June, 2002



Balance Sheet Abstract and Company's Business Profile

I. Registration Details :

Registration No. 

		3	4	3	0	0
--	--	---	---	---	---	---

 State Code 

0	1
---	---

  
Balance Sheet Date 

	3	1	0	3	0	2
--	---	---	---	---	---	---

  
Date Month Year

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

Public Issue 

				N	I	L
--	--	--	--	---	---	---

 Rights Issue 

				N	I	L
--	--	--	--	---	---	---

  
Bonus Issue 

				N	I	L
--	--	--	--	---	---	---

 Private Placement 

	1	7	5	.	0	0
--	---	---	---	---	---	---

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

Sources of Funds:

Total Liabilities 

	2	0	6	.	5	2
--	---	---	---	---	---	---

 Total Assets 

	2	0	6	.	5	2
--	---	---	---	---	---	---

  
Paid-up Capital 

	1	9	0	.	0	0
--	---	---	---	---	---	---

 Reserves and Surplus 

		1	6	.	5	2
--	--	---	---	---	---	---

  
Secured Loans 

				N	I	L
--	--	--	--	---	---	---

 Unsecured Loans 

				N	I	L
--	--	--	--	---	---	---

Application of Funds:

Net Fixed Assets 

		2	2	.	8	2
--	--	---	---	---	---	---

 Investments 

				N	I	L
--	--	--	--	---	---	---

  
Net Current Assets 

	1	8	3	.	5	0
--	---	---	---	---	---	---

 Misc. Expenditure 

			0	.	2	0
--	--	--	---	---	---	---

  
Accumulated Losses 

				N	I	L
--	--	--	--	---	---	---

IV. Performance of company (Amount in Rs. Lakhs)

Turnover/Income 

	2	5	8	.	9	0
--	---	---	---	---	---	---

 Total Expenditure 

	2	4	5	.	8	1
--	---	---	---	---	---	---

  
Profit before tax 

		1	3	.	0	9
--	--	---	---	---	---	---

 Profit after tax 

			7	.	2	5
--	--	--	---	---	---	---

  
Earning per Share in Rs. 

			4	.	8	3
--	--	--	---	---	---	---

 Dividend Rate 

				N	A	
--	--	--	--	---	---	--

V. Generic Names of Three Principal Products / Services of Company  
(as per monetary terms)

Item Code No. (ITC Code) : 754690  
Product Description : Thermoweld Filled Heat Shrinkable Sleeves  
  
Item Code No. (ITC Code) : 854790  
Product Description : Jelly Filled Telephone Cable Jointing Kits & Sub Kits

On behalf of the Board

Sd/-  
L.P.Sashikumar  
Director

Sd/-  
J.A. Rao  
Director

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