

19th ANNUAL REPORT 2003 - 2004



GLOBAL STONE INDIA LIMITED

DIRECTORS : Dr. R.B. Baheti - Chairman
Mr. K.N. Garg
Mr. Rajendra Prasad
Mr. R.C. Soni

AUDITORS : M/s. Brahmayya & Co.
Chartered Accountants
Khivraj Mansion
10/2, Kasturba Road
BANGALORE – 560 001

BANKERS : State Bank of India
State Bank of Mysore

**SHARE TRANSFER AGENT &
REGISTRAR**

(For Demat and Physical both)

Bangalore:

M/s. Intime Spectrum Registry Ltd.
40/3, IInd Floor, Geetha Mansion,
K.G. Road, Bangalore - 560 009
Phone: ++91-080-2350351
E-mail: bangalore@intimespectrum.com

Mumbai Office:

M/s. Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
Kantilal Maganlal Indl. Estate, L.B.S. Road,
Bhandup West, Mumbai - 400080
Phone: ++91-022-25923837
E-mail: isrl@vsnl.com

REGISTERED OFFICE & FACTORY : 22-24, Antharasanahally Indl. Area
Bangalore – Pune Highway
Tumkur – 572 106
Phone: ++91-0816-2211365
E-mail: stlg@bgl.vsnl.net.in

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of Global Stone India Limited (Formerly known as STI Granite India Limited) will be held on Wednesday, the 29th September, 2004 at 10 A.M. at the Registered Office of the Company at No. 22-24, Antharasanahally Industrial Area, Tumkur, Karnataka - 572 106 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2004 and the Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. K.N.Garg, who retires by rotation and being eligible offer himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this connection to pass the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT M/s. Brahmayya & Co., Chartered Accountants, Bangalore, be and are hereby re-appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration of Rs. 50,000/- and out of pocket expenses as may be incurred."

SPECIAL BUSINESS

- 4) To consider and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution.

"RESOLVED THAT in accordance with SEBI (Delisting of Securities) Guidelines, 2003, provisions of the Listing Agreements and subject to such approvals, permissions and sanctions under other relevant Laws, Rules and Regulations as may be necessary and subject to such conditions and modifications as may be prescribed while granting such approvals, the Equity Shares of the Company be delisted from Madras Stock Exchange Ltd., Chennai, The Stock Exchange, Ahmedabad and Madhya Pradesh Stock Exchange, Indore."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to agree to such terms and conditions which they may consider appropriate and to do all such other acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question difficulty, doubt that may arise in regard to the delisting of the Equity Shares from Madras Stock Exchange Ltd., Chennai, The Stock Exchange, Ahmedabad and Madhya Pradesh Stock Exchange, Indore."

By order of the Board
for GLOBAL STONE INDIA LIMITED

(DR.R.B.BAHETI)
Chairman

Place : Indore

Date : 30th June, 2004

19th ANNUAL REPORT 2003 - 2004**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The proxy form to be effective must be lodged duly completed and stamped at the Registered Office of the Company at least 48 hours before the time for holding the Meeting.
2. The Explanatory Statements as required pursuant to the provisions of Section 173(2) of the Companies Act, 1956, in respect of Item No.4 included in the notice, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23 rd September 2004 to 29th September 2004 , (both days inclusive).
4. The Company has entered into agreement with Central Depository Services (India) Ltd.(CDSL). Accordingly, the equity shares of the Company can now be held in the electronic form with any Depository Participant (DP) and the members can have their depository account. The ISIN number allotted by CDSL to the equity shares of the Company is INE 057G01019. The Company has made an application to NSDL for admission of its shares in the depository, however the approval of NSDL is still awaited. Thereafter, the shareholders of the Company shall have the convenience of dealing with both the depositories as per their choice. Members are requested to avail the demat facility. The equity shares of the Company are now tradable in compulsory dematerialized mode on the Stock Exchanges.
5. The Company has appointed M/s Intime Spectrum Registry Ltd., 40/3, 2nd Floor, Geetha Mansion, K.G. Road, Bangalore - 560 009, as a share transfer agent & registrar for Demat and Physical work.
6. Any change of address of the Members may please be notified to the Registrar and Transfer Agent at the above address quoting their Registered Folio.
7. Members are requested to send their queries, if any, relating to the Annual Accounts and Reports at least one week prior to the date of meeting

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**ITEM NO. 4**

Presently the Company's Equity shares are listed on the following five stock exchanges:

1. The Stock Exchange, Mumbai
2. Bangalore Stock Exchange Limited, Bangalore
3. Madras Stock Exchange Ltd., Chennai,
4. The Stock Exchange, Ahmedabad,
5. Madhya Pradesh Stock Exchange, Indore.

With the availability of on line screen trading at The Stock Exchange, Mumbai, investors are in the mode of easy access to on line dealing in the Company's equity shares across the country. As from past few years, there were no trading in the Company's equity shares at the Madras Stock Exchange Ltd., Chennai, The Stock Exchange, Ahmedabad and Madhya Pradesh Stock Exchange, Indore, the listing fees paid for reaming listed with the above stock exchanges does not have any benefit.

In accordance with the provisions of SEBI (Delisting of Securities) Guidelines, 2003, a special resolution is proposed at item no. 4 for delisting of its equity shares from Madras Stock Exchange Ltd., Chennai, The Stock Exchange, Ahmedabad and Madhya Pradesh Stock Exchange, Indore. The listing of the Shares shall continue on The Stock Exchange, Mumbai and Bangalore Stock Exchange Limited, Bangalore providing exit routes to the shareholders. The share holders had already approved a resolution for delisting of shares as above in 18th AGM and the delisting of equity shares from the above stated three stock exchanges are in continuation, enabling resolution is proposed again to renew the approval.

In view of the above, the Board recommends the resolution for your approval. None of the Director is concerned or interested in this resolution.

By order of the Board
for GLOBAL STONE INDIA LIMITED

(DR.R.B.BEHETI)
Chairman

Place : Indore

Date : 30th June, 2004

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DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company have pleasure in presenting the Nineteenth Annual Report of the Company with the Audited Statement of Accounts for the Year ended 31st March 2004.

FINANCIAL HIGHLIGHTS:

The Financial Results of the Company for the year ended 31st March 2004 are as under:

	(Rs.in lakhs)	
	2003-2004	2002-2003
Sales and other Income	4232	2821
Total Manufacturing and Administrative Expenditures	3796	2357
Profit/(Loss) before Interest, Depreciation & Tax	436	464
Interest and Finance Charges	262	267
Profit/(loss) Before Depreciation and Taxation	174	197
Depreciation	132	128
Provision for taxation	-	-
Net Profit / (Loss) after taxation	42	69
Balance b/f from previous year	(1408)	(1477)
Balance carried to Balance Sheet	(1366)	(1408)

OPERATIONS:

The operations of your company during 2003-2004 have been satisfactory as compared to the previous year as is reflected from by the 50 % jump in the Operating Income of the Company. There has been a significant turn around globally in the industry fortunes and it is expected that the industry would perform reasonably satisfactorily in the years to come. However during the year, due to competition margin of the company remained under pressure. The company also has implemented effective cost saving measures and improved the productivity parameters, which has helped to sustain its operations and improve the profitability.

FUTURE PROSPECTS:

Already improved operations of your company in the last couple of years and with the expected improvements in the industry globally in the years to come, it is expected that there would be a significant turn around in the performance of your company also in the next year. The company has already installed additional facilities so as to take care of the anticipated demands of Direct Export couple. with significant reduction in the operating cost and improvement in the production parameters to improve the profitability with the help of availability of raw materials in reasonably good quantities, barring unforeseen circumstances, the company expects the operations would improve significantly in the years to come.

RESTRUCTURING OF DEBENTURES

In terms of the prospectus dated 24th May, 1993 your Company had issued 4,00,000 - 17% Secured Redeemable Non-Convertible Debentures of Rs.200/- each on 15th September, 1999, which after the extension of period by debenture holders in their General Meeting held on 18th August, 1999, are due for redemption in three annual installments at the end of 11th, 12th and 13th year respectively i.e. on 15th September, 2004, 15th September, 2005 and 15th September, 2006.

As the revival of Indian economy has slightly improved the market for Granite industry domestically as well as in overseas market, the company wish to take advantage of the opportunity by judicious deployment of its resources to earn good profits. In view of this it is proposed to extend the date of redemption of debentures by another 2 years so as to redeem the debentures in three annual installment of Rs.33/-, Rs.33/- and Rs.34/- respectively at the end of 13th, 14th and 15th year and accordingly revise the date of Redemption of the Debentures from 15/9/2004, 15/9/2005 and 15/9/2006 to three new dates for falling the same due on 15/9/2006, 15/9/2007 and 15/9/2008, respectively with waiver of all the accrued and outstanding interest liabilities upto 30th September, 2004 on such Debentures and reduction in the rate of interest wef 1st October, 2004. The debentureholders shall continue to enjoy their all other existing rights, privileges, entitlements. In view of this a General Meeting of Debentureholders is proposed to be convened very shortly.

DIVIDEND:

In view of the inadequate profit, Your Directors regret there inability to recommend dividend for the year.

DIRECTORS:

Mr.K.N.Garg, Director of your Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS:

The Auditors, M/s. Brahmayya & Co., retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The present Auditors has furnished the necessary certificate as required under section 224(1B) of the companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE:

The company has already complied with the requirement of Corporate Governance in terms of clause 49 of listing agreement. A detailed report on Corporate Governance is annexed as Annexure forming part of this report.

DEMATERIALISATION FACILITIES:

Company has taken steps towards availing facilities of Central Depository Services (India) Ltd. (CDSL) and National Security Depository Ltd. (NSDL) to facilitate its members to hold and trade their shares in electronic form. The ISIN code has been allotted by CDSL is INE057G01019 and application with NSDL is in the advance stage of approval. The company has appointed M/s Intime Spectrum Registry Ltd., Mumbai as Share Registrar and transfer agent of the company to facilitate physical as well as electronic transactions in shares and other services. SEBI has included Company's shares in the list of compulsory trading in electronic form. Therefore, the trading in the Company's equity shares through stock exchange in future will be in Demated form only.

DELISTING OF SECURITIES FROM STOCK EXCHANGES.

Equity shares of the Company is presently listed at Five Stock Exchanges including the Stock Exchanges, Mumbai (BSE) and Bangalore Stock Exchange (BGSE) to facilitate its members to hold and trade in their shares in electronic form. As the formalities of compulsory connectivity are over, regular trading in shares of Company is commencing at BSE. Trading of Company's Equity Share at other Stock Exchanges are negligible. Since these Stock Exchanges does not justify expenses on listing, the Board of Directors have decided to delist its equity form Three Stock Exchange i.e Madhya Pradesh Stock Exchange, Indore, Madras Stock Exchange, Chennai and The Stock Exchange, Ahmedabad. The processes of delisting Equity Shares are in progress. Necessary resolution in these regard has been previously approved by shareholder in the 18th Annual General Meeting of 2002-03 and resolution in this regard is again taken in account in ensuing Annual General Meeting for Shareholders approval. The listing of Equity Shares shall continue for regular trading at BSE and BGSE.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**(a) CONSERVATION OF ENERGY:**

Continuous thrust is laid by the Company on saving of electrical energy in the factory continuously. The total energy consumption and energy consumption per unit of production as per form "A" is not given, as the Company is not covered under the list of specified industries.

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(b) TECHNOLOGY ABSORPTION:

Though the technology is indigenous, the Company has absorbed fully the state-of-art technology installed in all areas of operation.

(c) RESEARCH AND DEVELOPMENT:

As a policy, continuous thrust on Research and Development is being maintained and steadily developed.

(d) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign exchange earnings and outgo during the year under review are as under:

Earning: Amount Rs. In lakhs

(a) FOB value of Export 4083.49

Outgo: Amount Rs. in lakhs

(a) CIF value of Capital goods Nil

(b) CIF value of import of consumables 602.34

(c) Remittance of interest Nil

(d) Foreign Travel Expenses 1.47

(e) Commission on Export Sales Nil

PARTICULARS OF EMPLOYEES:

The Company had no employees of the category mentioned in Section 217 (2A) of the Companies Act, 1956.

FIXED DEPOSITS:

The Company has not accepted deposits from the public during the previous year ended 31st March 2004.

INDUSTRIAL RELATIONS:

Your company follows highly progressive policies concerning its employees and provides a conducive atmosphere to each employee to excel their performance. The company provides a clean and healthy working environment to its employees. Industrial relations during the year under review were cordial.

ACKNOWLEDGEMENT:

The Directors have pleasure in recording their appreciation of the continued assistance and co-operation extended to the Company by the State/Central Government, Banks, Financial Institutions and other agencies.

The Directors also wish to record their appreciation of the sincere and dedicated services by the employees of the Company at all levels.

By order of the Board
For GLOBAL STONE INDIA LIMITED

Place : Indore

Date : 30th June, 2004.

(DR. R.B. BAHETI)
Chairman

ANNEXURE- I TO THE DIRECTORS' REPORT ON CORPORATE GOVERNANCE
(for the financial year 2003-04)

INTRODUCTION

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreements with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

1. COMPANY'S PHILOSOPHY

The fundamental objective of the Company's Corporate Governance is "enhancement of long-term value for share holders and at the same time protecting the interest of other stakeholders and adopting a methodology which enhances effectiveness, better utilization of resources, transparent and harmonious relations between various interest groups", better working environment and workers participation in Management.

2. IMPLEMENTATION

Although the applicability of code to Global Stone India Limited is effective from financial year 2001-02 onwards, as per the requirement of Listing Agreement with the Stock Exchanges, the Company has already taken necessary steps to comply with the same effective from Financial Year 2000-01.

3. BOARD OF DIRECTORS**a) Composition:**

The Board of Global Stone India Limited comprises of Four Directors. None of the Directors of the Company is a Member on more than 10 committees or Chairman of more than 5 committees (as specified in the clause 49 of the Listing Agreement). The Board is primarily responsible for the overall management of the Company's business. The Composition of the Board during the financial year 2003-2004 was as under:

Name	Category	Designation	No. of meetings held during the tenure	No. of meetings attended
Dr.R.B.Baheti	Promoter & Director	Chairman	4	4
Mr. K.N. Garg	Promoter & Director	Director	4	4
Mr.Rajendra Prasad (w.e.f. 28.09.2002)	Independent & Non-Executive Director	Director	4	-
Mr.R.C.Soni (w.e.f. 31.01.2003)	Independent & Non-Executive Director	Director	4	-

b) Board Meetings and Attendance of Directors

The details of meeting wise attendance of Directors are as under:

Sr. No.	Name of the Directors	28.06.03	31.07.03	30.10.03	31.01.04
1.	Dr. R.B. Baheti	P	P	P	P
2.	Mr. K.N. Garg	P	P	P	P
3.	Mr. Rajendra Prasad (w.e.f. 28.09.2002)	LOA	LOA	LOA	LOA
4.	Mr. Ramesh Chandra Soni (w.e.f. 31.01.2003)	LOA	LOA	LOA	LOA

Note : P = Present, LOA = Leave of Absence

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c) **Sitting Fees**

None of the Directors' were paid Sitting Fees during Financial year 2003-04.

4. **BOARD COMMITTEES:**

For effective and efficient functioning of the Company the Board has formed the following Committees:

- Audit Committee
- Remuneration Committee
- Shareholders'/Investors' Grievance Cum Share Transfer Committee

a) **AUDIT COMMITTEE****Terms of Reference**

Terms of Reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchanges and this interalia, include -

- i) Oversee Company's financial reporting process and the disclosure of its financial information to ensure financial statements are correct, sufficient and viable.
- ii) Recommend appointment and removal of Statutory Auditors, fixation of Audit fee, and also approve payment for other services.
- iii) Review the adequacy of internal control systems with the Management, Statutory and internal auditors.
- iv) Review the Company's financial and risk management policies.

Composition:

The Audit Committee is as under comprised of 3 directors out of which Two Directors are Independent and Non-Executive Directors. The Audit Committee is primarily responsible for the over all audit and accounts as per the terms of reference.

Sl. No.	Name of Directors/Members	Category
1	Mr. Rajendra Prasad	Independent and Non Executive - Chairman
2	Mr. K. N. Garg	Promoter & Non Executive Director
3	Mr. R. C. Soni	Independent and Non Executive
Name of Permanent Invitee		
1	Mr. Govind Rao of M/S BRAHMAYYA & CO. Auditor, Bangalore	

Any two members present shall constitute the quorum.

b) **REMUNERATION COMMITTEE**

The Board of Global Stone India Limited constituted the Remuneration Committee to address the policy on Remuneration packages, their service contracts etc., The remuneration policy of the Company for managerial personnel is primarily based on the following:

- i) to prepare performance link Remuneration Package and retiral benefits