

20th ANNUAL REPORT 2004 - 2005



GLOBAL STONE INDIA LIMITED

DIRECTORS	: Dr. R.B. Baheti - Chairman Mr. Rajendra Prasad Mr. R. C. Soni Mr. Ajay Jajoo - Executive Director (w.e.f. 28.10.2004)
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 AGENTS & REGISTRAR (For Demat and Physical both)	: Bangalore Office : M/s Intime Spectrum Registry Ltd. 40/3, IInd Floor, Geetha Mansion, K. G. Road, Bangalore - 560 009 Phone : ++91- 080 - 2222 0351 Email : 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 - 400 080. Phone : ++ 91 - 022 - 25923837 Email : isrl@vsnl.com
REGISTERED OFFICE & FACTORY	: 22-24, Antharasanahally Indl. Area Banalore - Pune Highway Tumkur - 572 106 Phone : ++ 91-0816-2211365 Email : stig@bgl.vsnl.net.in

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of Global Stone India Limited will be held on Tuesday, the 27th September, 2005 at 10.00 A.M. at the Registered Office of the Company at 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, 2005 and the Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Rajendra Prasad, who retires by rotation and being eligible offer himself for reappointment.
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 from conclusion of this Annual General Meeting till 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 pursuant to the provisions of section 198,269,309,310,311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereof for the time being in force) and subject to the approval of the Central Government and such other approvals as may be necessary, the Company do hereby approves the appointment of Mr. Ajay Jajoo as Executive Director of the Company for a period of Three years with effect from 28th October, 2004, on such terms and conditions (including the remuneration to be paid to him in the event of loss or inadequacy of profits in any financial year during the aforesaid period) as set out in the Service Agreement executed, a copy of which duly initialed by the Chairman for the purpose of identification, is available to members for inspection, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of Agreement, so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956, and as may be applicable and agreed to by and between the Board of Directors and Mr. Ajay Jajoo."

"RESOLVED FURTHER THAT the Board be and is hereby further authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board
For GLOBAL STONE INDIA LIMITED

(AJAY JAJOO)
Executive Director

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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.2 and 4 of the notice, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th September 2005 to 27th September 2005 (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 CDSL and the members can have their holding in 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 the 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 as 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., as Registrar and Share Transfer agent for Demat and Physical Work.
6. Any change of address of the Members for Physical shares may please be notified to the Registrar and Transfer Agent at the above address quoting their Registered Folio. Any Change of address for the demated shares may please be notified to their Depositor directly.
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, so that the information be made available in the Meeting.

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

Mr. Rajendra Prasad, is proposed to be re-appointed as a Director of the Company liable to retire by rotation. Mr. Prasad born in 1950 is having B.E. (Mech.) and DMM qualification to his credit. Mr. Prasad a Senior Corporate Executive posses experience of working for more than two decades with reputed organizations such as M/s Sandvik Asia Ltd., Pune and SRP Tools Ltd., Madras.

He has a wide range of experience and expertise in the marketing of various products. He has a deep understanding of trade, business and Industry. His continued association with the Company will be beneficial. The Board of Directors recommends his appointment.

None of the Directors other than Mr. Rajendra Prasad, is concerned or interested in the resolution.

ITEM NO. 4.

In accordance with the provisions of section 269 of the Companies Act, 1956 and as recommended by the Remuneration Committee the Board of Directors have approved the appointment of Mr. Ajay Jajoo as Executive Director of Company with effect from 28th October, 2004 subject to the approval of Shareholders and the Central Government.

The appointment of and remuneration payable / paid to Mr. Ajay Jajoo are subject to the limits under Section 198, 269, 309, 310, 311 read with schedule XIII and all other applicable provisions (including statutory amendment thereof) if any, of the Companies Act, 1956.

The shareholder may consider following information before approving the appointment of Mr. Ajay Jajoo, as recommended by the Board.

Information required to be disclosed in terms of Notification No. G.S.R.36 (E) dated 16th January, 2002 issued by Government of India under provision of Schedule XIII of the Companies Act, 1956 is as under.

GLOBAL STONE INDIA LIMITED

General Information**I) Nature of Industry :**

GLOBAL STONE INDIA LIMITED is engaged in manufacturing and marketing of Granite Slabs & Tiles etc.,

- 1) Date of Commencement of Commercial Production :**
The Company Started its Commercial Production on 1st February 1994.
- 2) Financial Performance based on given Indicators :**
The company has an excellent manufacturing facility of 90000 sq. Mtrs. Slabs/panels and 65000 sq. Mtrs. Tiles. Its product quality is very well established and globally accepted by the user segment. The Company enjoys a good position in the market of its range of products.
- 3) Export Performance and net foreign exchange contributions :**
The Company has been a good Foreign Exchange earner and the FOB Value of Export in the Year 2003-04 was Rs. 40.84 Crores.
- 4) Recognition or Awards:**
The Company has received a Top Exporter Award in the year 2000-01 and 2001-02 from Cochin Special Economic Zone (CSEZ) Government of India, Ministry of Commerce and Industry.
- 5) Foreign Investment and Collaborators :**
The Company does not have, at present, any foreign investment and foreign collaborators involved into the affairs of the company but it will be willing to explore any opportunity in this regard in future.

II Information about the appointee

- a) **Background details :**
Mr. Ajay Jajoo, the Executive Director of the Company is a top level Corporate Executive. Mr. Ajay Jajoo born in 1957, is B.E. in Chemical, having 22 years of experience in trade, Business and Industry, has rich experience in running business for over the said tenure. He associated, with company since 1988 & before appointment as Executive Director, was President of the Company since April, 2002. During his tenure, the Company achieved several milestones and the turnover of the Company went up.
- b) **Past remuneration :**
Mr. Ajay Jajoo, is being paid the salary of Rs. 6.84* Lacs during the year 2004-05, before the appointment as Executive Director, inclusive of all other perquisites entitled as per the rules of the Company. However, his future salary shall be as approved by the Central Government and subject to the overall ceiling stipulated in Section 198,309 and Schedule XIII of the Companies Act, 1956.
- c) **Job profile and his suitability :**
Mr. Ajay Jajoo has a very rich experience and exposure of Granite Industry. He is the most suitable managerial personnel for such position in the Company. Any expert professional with similar experience shall be commanding a very high remuneration in the Industry, in comparison to the minimum remuneration being paid to Mr. Jajoo, considering the present financial conditions of the Company. Mr. Ajay Jajoo does not have personal relationship with any other employees of the Company. He is expected to look after the following functions as Executive Director of the Company :
 - a) Management of the day to day affairs of the Company subject to the superintendence and direction of the Board of Directors of the Company.
 - b) Running of the Plant of the Company more effectively so as to increase the productivity and reduce the cost of production.
 - c) Retain and develop the high caliber and performing human resource capital of the Company.
 - d) Maintaining and nurturing existing business contractual arrangement and the customer base with simultaneously exploring alternate business opportunities for enhancing the value of stake holders.
 - e) Look for alternatives and better market opportunities in domestic as well as export area.
 - f) Deal with financial institutions, customers and suppliers.
- d) **Remuneration proposed :**
The appointment of Mr. Ajay Jajoo and his remuneration and perquisites are subject to Section 198,269,309,310,311 read with Schedule XIII and all other applicable provisions (including statutory amendment thereof) if any, of the Companies Act, 1956. The terms of the appointment and remuneration of Mr. Ajay Jajoo effective from 28th October, 2004 subject to the approval of Shareholders and the Central Government are as under:-

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1) SALARY :-

Name of Appointee	Period of Appointment	Salary per month w.e.f. 28th October, 2004
Mr. Ajay Jajoo	3 years with effect from 28th October, 2004	Basic Salary of Rs. 39,500/- in the pay Scale of Rs. 35,000 - 1500 - 56,000 - 2000 - 1,00,000.

2) PERQUISITES :-

Subject to limits of minimum remuneration prescribed under Schedule XIII of the Companies Act, 1956 (including any amendment thereto in force from time to time) Mr. Ajay Jajoo will be entitled to maximum perquisites up to Rs. 3.50 Lacs per annum divided into the following perquisites. Unless the context otherwise requires, perquisites are classified into three categories A, B and C as below :-

CATEGORY - 'A'**i) Housing :**

- The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of Rs. 15,000/- Per Month. (Presently paying 8,500/- per month.)
- In case no accommodation is provided by the Company, Mr. Ajay Jajoo as Executive Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing (a)

ii) Medical Reimbursement :

Reimbursement of expenses incurred for self and family on actual basis.

iii) Leave Travel Concession

Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company subject to a ceiling of one month basic salary per year.

iv) Personal Accident Insurance :

Mr. Ajay Jajoo, Shall be entitle for a Personal accident insurance for an annual sum insured not exceeding Rs. 500,000/- and a Group Insurance Cover up to Rs. 3,50,000/- as per rules of the Company.

CATEGORY - 'B'

- Mr. Ajay Jajoo shall be entitled to Contributions to Provident Fund, Superannuating Fund or Annuity Fund to be in accordance with the practice, rules and regulations in force in the Company from time to time. The contributions to these Funds will not be included in the computation of ceiling on perquisites to the extent these either single or put together are not taxable under the Income Tax Act, 1961.

- Gratuity** - Gratuity shall not be exceeding half a month's salary for every completed year of service.

- Leave Encashment** - Encashment of Leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

CATEGORY - 'C'

Mr. Ajay Jajoo shall be entitled to Reimbursement of following Expenses as done for the Company's business so these will not be considered as perquisites :

- Purchasing of Magazines upto Rs. 400/- per month.
- Attendants expenses upto Rs. 1000/- per month.
- Expenses on Soft furnishing upto Rs. 5500/- per annum

3) MINIMUM REMUNERATION :

In the event of loss or inadequacy of profits during any financial year, subject to the provisions of the Companies Act, 1956, revised remuneration proposed to be paid to Mr. Ajay Jajoo by way of salary and perquisites as above with such adjustment as may be necessary under provisions of schedule XIII be paid as minimum remuneration.

III Other Information :**a) Comparative remuneration profile with to industry, size of the company, profile of the position and person :**

Mr. Ajay Jajoo has very rich experience and exposure of trade, business and investment in Granite industry, and expert professionals with similar experience are commanding a very high remuneration in the Industry, in comparison to the minimum remuneration being paid to Mr. Ajay Jajoo. Considering the size and location of the works and the position and profile of the person, the remuneration proposed is very low only due to present financial conditions of Company. However as soon as the financials of the Company improves or the Government further relaxes the policies in this regard, Mr. Ajay Jajoo be paid a much higher remuneration in future.

b) Pecuniary relationship directly with the Company or relationship with the managerial personnel, if any :

Mr. Ajay Jajoo does not have any pecuniary relationship directly with the Company apart from his salary as above and his involvement as Executive Director of the Company. He does not have any relationship with any other managerial personnel of the Company.

c) Reason of loss and inadequate profit :

As can be observed the Company was earning profits. However recessionary conditions prevailing until recently, coupled with cut-throat competition in the Granite Industry, has severely affected Company's Sales and profit margins. The Company also suffered losses due to high cost of old borrowing for the project investments, which did not result expected yield.

d) Steps taken for improvement :

To avoid further losses, and to sustain in the competition, the Company has given special thrust for optimum utilization of plant capacity and explored opportunities of wider product range. This has helped the Company to improve its operational profit margin. Besides this the Company has placed stress on improving operating efficiency through cost and waste reduction. We are looking for better prospects for the Company in future, on account of present growth momentum of Domestic as well as Foreign market in Granite Industry.

The Company is also laying greater thrust on conserving and judiciously utilizing its resources and save operating cost. The easing out of interest rate scenario domestically and becoming comparable with the developed economy of the world will also reduce financial burden on the Company.

IV) Disclosures :

In addition to the disclosures as given here under, other necessary disclosures required under schedule XIII in the case of appointment of Mr. Ajay Jajoo has also been given in the report of the corporate governance attached to the Director's Report :

1. Mr. Ajay Jajoo shall not be entitled to receive any other allowance or reimbursement of any other personal expenses not specifically mentioned here in this agreement.
2. The Salary and other perquisites payable to Mr. Ajay Jajoo shall be reviewed or restructured once at the end of every financial year and any increment finalized mutually on time scale basis shall be payable w.e.f. 1st April of the following year.
3. Mr. Ajay Jajoo unless prevented by ill-health, through out the said terms, shall devote his appropriate time, attention and abilities to the business of the Company and shall abide by the rules and regulations and confirm to the duties assigned to him by the company from time to time and promote the interest of the Company.
4. Mr. Ajay Jajoo shall not be entitled to any Stock Option.
5. Mr. Ajay Jajoo shall be entitled to reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.
6. Mr. Ajay Jajoo shall be entitled to a car and telephones at residence for use on Company's business. These will not be considered as perquisites. However, personal long distance calls and use of the cars for private purpose shall be billed by the Company to the Executive Director.
7. Mr. Ajay Jajoo shall not be entitled to any sitting fee for attending the meeting of Board of Directors or committee thereof.
8. That other terms and conditions of appointment of Mr. Ajay Jajoo, as contained in the previous Agreements shall remain unaltered except the changes as mentioned here in before in this Agreement.

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The agreement executed between the Company and Mr. Ajay Jajoo, Executive Director is available for inspection of members of the Company at its registered office between 11.00 AM and 1.00 PM hours on any working day of the Company.

This may also be treated as an abstract under section 302 of the Companies Act, 1956 of the terms of the remuneration payable to Mr. Ajay Jajoo, Executive Director with effect from 28th October, 2004. The particulars given above may also be treated as a statement of information required to be given under the Companies Act, 1956 and Listing Agreements.

The Directors recommend the resolution for acceptance by the Members.

None of the Directors other than Mr. Ajay Jajoo, is concerned or interested in the resolution.

By order of the Board
For GLOBAL STONE INDIA LIMITED

Place : Indore
Date : 30 June, 2005

(Ajay Jajoo)
Executive Director



DIRECTORS' REPORT

Dear Shareholders

The Directors of your Company have pleasure in presenting the Twentieth Annual Report of the Company with the Audited Annual Accounts for the Year ended 31st March 2005.

FINANCIAL HIGHLIGHTS :

The Financial Result of the Company for the year ended 31st March, 2005 are as under
(Rs. in lakhs)

Particulars	2004-2005	2003-04
Sales and other Income	3272	4232
Total Manufacturing & Administrative Expenditures	3559	3796
Profit/(Loss) before Interest, Depreciation & Tax	(287)	436
Interest and Finance Charges	175	262
Profit/(Loss) before Interest, Depreciation & Taxation	(462)	174
Depreciation	124	132
Provision for taxation	-	-
Profit / (Loss) after Taxation	(586)	42
Prior Period Adjustments	520	-
Balance b/f from previous year	(1366)	(1408)
Balance carried to Balance Sheet	(1432)	(1366)

OPERATIONS :

The operations of your Company during 2004-05 have not been satisfactory as compared to the previous year. Though the production volume was almost maintained, due to severe working capital constraints, low cost materials were processed resulting in lesser sales realization as compared to the previous year. The rupee currency has also been stronger against foreign currencies as compared to the previous year and has adversely affected in terms of lower rupee realization. Besides general increase in the overall cost of input, there has been a steep increase in the cost of Diesel which has shot up the prices of rough blocks as well as transportation cost. Despite increased cost of inputs, there was no possibility of increase in the selling price due to stiff international competition as well as increased processing capacities created locally. The losses prior to interest and depreciation is Rs. 287.34 lacs (Rs. 435.67 lacs during 2003-04) which includes provision for bad & doubtful debts worth Rs. 190.65 lacs and loss on sale of asset to the tune of Rs. 72 lacs. The net loss for the year is Rs. 66.42 lacs after the prior period adjustments of Rs. 519.89 lacs which includes Rs. 490.87 lacs on account of Debenture interest written back during the year as per the resolution for restructuring of its liabilities passed by the Debenture holders of the company in their Extra-ordinary General Meeting held on 11.09.2004.

FUTURE PROSPECTS :

Of late, the industry fortunes show improved demand pattern for the best quality material and therefore the granite industry is expected to perform satisfactorily in the year to come. The Company continuously places its thrust on procurement of best quality granite rough blocks, improved efficiency and productivity with reduced operating cost. The Company is also in negotiations with the lending banks for restructuring of its dues and timely support for funding the working capital requirement.

Considering the present growth momentum in the granite industry, it is expected that there would be a significant turn around in the performance of your Company in the next few years.

RESTRUCTURING OF DEBENTURES

Your directors wish to thank all the Debenture holders of the Company who have considered the changes in the interest rate scenario and need to restructure the outstanding liabilities towards payment of interest and redemption of debentures and extended the date of redemption of debentures by another 2 years, subject to and with the terms that the accrued and outstanding liabilities of interest on the debentures up to 30th September, 2004 is waived. This will make the debentures due for redemption on 15-9-2006, 15-9-2007 and 15-9-2008 in 3 annual installment of Rs. 33/-, Rs. 33/- and Rs. 34/- per debenture respectively. 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 and by judicious deployment of its resources expect to earn reasonable profits. The resolution passed by the Debenture holders in this regards have been given effect, which has significantly reduced the accumulated losses during the year.

DIVIDEND

In view of the loss, your Directors regret their inability to recommend dividend for the year.

DEMATERIALISATION FACILITIES:

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 CDSL and the members can have their holding in 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. There after, 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 tradeable in compulsory dematerialized mode on the Stock Exchanges.

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). For last many years there is no trading in the Equity Share of the Company at any other Stock Exchanges than BSE. Since these Stock Exchanges does not justify expenses on listing, the Board of Directors have decided to de-list its equity from three Stock Exchange i.e Madhya Pradesh Stock Exchange, Indore, Madras Stock Exchange, Chennai and The Stock Exchange, Ahamadabad. Necessary resolution in these regard has already been passed by the shareholders in the 19th Annual General Meeting. The listing of Equity Shares shall continue for regular trading at BSE.

DIRECTORS COMMENTS ON AUDITORS REPORT

In reply to the comments on qualifications made in the Auditor's report, your Directors wish to inform the members that, Your Company is facing liquidity crisis and a result there has been some delay in payment of statutory dues. Other comments of the Auditors are already quantified and adequately dealt with elsewhere in the notes to the accounts or Annual Report.

DIRECTORS

Mr. Rajendra Prasad, 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.

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.

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;