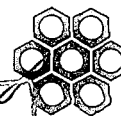


Annual Report 1992-93



CHAIRMAN

G. P. GOENKA

MEMBERS

MD	✓	BKC	✓
CS	✓	DPY	MA
RO	✓	DEV	✓
TRA	MA	AC	✓
ACH	✓	MI	✓
YE	✓		✓

S. GOENKA

S. RAY

M. J. R. PORTER

K. S. B. SANYAL

I. SEN

R. SRINIVASAN

V. K. KAKKAR
Managing Director

MEMBERS

J. BISWAS

MANAGEMENT COMMITTEE

V. K. KAKKAR, Managing Director

D. DAS
Vice-President
Manufacturing

BINAYAK DATTA
Vice-President
Finance

S. L. AHUJA
Vice-President
Marketing

MEMBERS

MEMBERS

MEMBERS

ORR, DIGNAM & CO.

ANZ GRINDLAYS BANK LTD.

LODHA & CO.

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

REGISTERED OFFICE

16, Taratalla Road
Calcutta - 700 088
☎ 478-4661-68

MEMBERS

- (1) 16, Taratalla Road, Calcutta - 700 088 ☎ 478-4661-68
(2) Wagle Industrial Estate, Thane, Maharashtra ☎ 532-2304

MEMBERS

New Delhi
Indra Palace
Cannaught Circus
New Delhi - 110 001
☎ 332-1932, 332-9426

Chennai
749-Annasalai
Mount Road, 2nd Floor
Chennai - 600 002
☎ 852-2825

Mumbai
Stadium House, 3rd Floor
81/83, Veer Nariman Road
Mumbai - 400 020
☎ 287-0886, 282-0012, 282-1312



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REPORT OF THE DIRECTORS



FINANCIAL HIGHLIGHTS



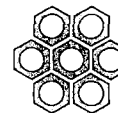
AUDITORS' REPORT



ACCOUNTS



CASH FLOW STATEMENT



Report of the Directors

THE MEMBERS OF STONE INDIA LIMITED

The Directors have pleasure in presenting the Sixtyeighth Annual Report of the Company and the audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	(Rs. in lacs)	
	1997-98	1996-97
Gross Turnover (including Excise)	4734	3892
Profit for the year before tax	452	351
Provision for Taxation	155	138
Profit after Taxation	297	213
Tax provision no longer required written back	50	—
Balance brought forward from previous year	113	79
Amount available for appropriation	460	292
Which the Directors have recommended to be appropriated as under :		
Proposed Dividend	128	106
Tax on Dividend	13	10
Transfer to General Reserve	26	11
Debenture Redemption Reserve	52	52
Leaving a balance to be carried forward	241	113
	460	292

Your Company has been able to maintain its growth in terms of both turnover and profit despite the emergence of recession in the Indian economy.

DIVIDEND

Considering the performance for the year, the market conditions and future business prospects of the Company your Directors recommend a Dividend of 17% for the year ended 31st March, 1998.

The Dividend, if declared at the forthcoming Annual General Meeting, will be paid to those shareholders, whose names are registered at the close of business on 12th August, 1998 subject, however, to the provisions of Section 206A of the Companies Act, 1956.

OPERATIONS

The turnover of the Company has recorded a satisfactory growth of 22% and the profit after tax by 40% over 1996-97. The increase should be recorded as highly satisfactory, when viewed in context with the slow growth of Indian economy, especially uncertainty, unfavourable economic environment, constraints and the challenges of increased competition. Particular attention continues to be given to reduce expenses and improve financial ratios by re-orienting our business activities, by entering into new product lines and re-structuring and re-engineering our existing practices, including improving our internal control and costing procedure and systems. The new products are well accepted in the market. This will help us to increase our market share and profitability in future. We are continuously upgrading our technology and improving our volumes for coming years.

Barring unforeseen circumstances, we hope that the Company will maintain similar trend of progress in 1998-99.



Report of the Directors (Continued)

(a) Colour Monitor

The Company has been successful in executing orders worth Rs. 104 lacs and the product has been well accepted in the market. There is serious competition and necessary efforts are being made to increase the turnover during 1998-99.

(b) Asbestos-free Composite Brake Blocks

The products manufactured by Pioneer Friction Limited, the Joint Venture Company, has been well accepted by Indian Railways, after necessary trial runs. Regular production has commenced. Full efforts are being made to increase the volumes and necessary arrangements have also been made to increase the capacity. The future prospect of this Project is bright.

18.5% & 16% SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES ~

The funds raised by the Company by issue of the abovesaid Debentures to meet the long term working capital requirements/ cost of Projects of the Company are being utilised for the purpose.

FIXED DEPOSITS

There is no unclaimed deposit as on 31st March, 1998.

ENERGY CONSERVATION

By introducing certain Energy saving measures and re-engineering method in terms of utilisation of factory and office spaces we were able to reduce our energy cost, inspite of increase in production and power tariffs.

TECHNOLOGY ABSORPTION

The following products have been developed during the year under review and has been well received in the market :—

25kW Alternators
High Speed Pantographs
Panel Brake System
Starter Generator for Defence

Further, following products are in the process of development :—

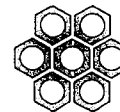
Defence items	Lock Installation
	Oil Priming Pump
Railway items	Roof Mounted AC Package
	Bogie Mounted Brake System
	Foot Mounted 18 kW Alternator
	Brake System for CONCOR

FOREIGN EXCHANGE EARNING AND OUTFLOW

There is a regular flow of order for the sophisticated Brake System in the Australian Railways. The first consignment of Alternators has been shipped to Bangladesh and is well received by the customers. We are anticipating substantial business in coming years.

While we have a large order for Air Brake from Southern Africa, the fitment of Air Brake has been slower than anticipated in view of slow down of wagon production in Mozambique. However, the production is likely to pick up in the coming years and we should expect increase in exports further in this region.

We are also expecting orders from some of the new emerging market in Asia for our Brake System.



Report of the Directors (Continued)

The Foreign Exchange earning during the year was Rs. 31.62 lacs compared to Rs. 30.66 lacs last year whereas the Foreign Exchange outflow during the year was Rs. 168.79 lacs as against Rs. 35.59 lacs last year.

PERSONNEL

Industrial relations continued to remain cordial. A Charter of Demands with the Registered Office/Regions Workmen has been signed.

The Directors wish to place on record their appreciation for the valuable contributions of employees at all levels in the organisation.

A statement pursuant to Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975 forming part of this Report is annexed herewith.

PARTICULARS UNDER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956

Form No. B pursuant to Section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 so far as is applicable to the Company is annexed and forms a part of this Report.

DIRECTORS

Mr. K. S. B. Sanyal and Mr. M. J. R. Porter retire by rotation and, being eligible, offer themselves for re-appointment.

Dr. P. N. Singh and Mr. S. F. Ahmed resigned from the Board with effect from 25th November, 1997 and 19th June, 1998 respectively. The Directors wish to place on record their appreciation of the valuable contributions made by Dr. Singh and Mr. Ahmed during their respective tenures of office.

Mr. S. Goenka has been appointed an additional Director with effect from 25th November, 1997. As from the said date Mr. S. Goenka has also been appointed a Wholtime Director for 5 years.

As an additional Director Mr. S. Goenka will hold office upto the date of the ensuing Annual General Meeting and the Company has received a notice in writing from a member in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. S. Goenka as a Director of the Company.

AUDITORS

Messrs. Lodha & Co. retire and offer themselves for re-appointment. The observations made by the Auditors in their Report have been dealt with and explained in the Notes to the Accounts in Schedule 23.

SUBSIDIARY COMPANY

The Statement pursuant to Section 212 of the Companies Act, 1956 and the Annual Report & Accounts of Skylark Rubber Products Ltd. together with Auditors' Report for the year ended 31st March, 1998 are attached.

ACKNOWLEDGMENT

The Directors appreciate the continued assistance and cooperation of the Company's Bankers and of the Financial Institutions and Collaborators.

The Directors also express their gratitude to the shareholders of the Company for the confidence reposed by them in the Management of the Company.

For and on behalf of the Board

G. P. GOENKA

Chairman

Calcutta, 19th June, 1998



Report of the Directors (Continued)

Annexure to the Report of the Directors

FORM 'B'

Form for disclosure of particulars with respect of Absorption Research and Development (R & D)

- | | |
|--|--|
| 1. Specific area in which R&D carried out by the Company | Rail, Defence products and Colour Computer Monitor |
| 2. Benefits derived as a result of the above R&D | Import substitution, development of new products and cost reduction. |
| 3. Future plan of action | To manufacture : |
| | (1) Brake System for Concor |
| | (2) 18 KW Foot Mounted Alternator |
| | (3) Rubber Components for Air Brakes & industrial application |
| | (4) Defence items — Starter Generator, Lock Installation and Oil Priming Pump |
| | (5) Bogie Mounted Brake System |
| | (6) Roof Mounted Package A.C. Unit |
| 4. Expenditure on R&D | |
| (a) Capital | Rs. 12 lacs |
| (b) Recurring | Rs. 29 lacs |
| (c) Total | Rs. 41 lacs |
| (d) Total R&D Expenditure as a percentage of total turnover | 1% |
| Technology absorption, adaptation and innovation | |
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | The Company makes a continuous efforts for — |
| | (i) adaptation and innovation of its product designs to meet the specification and changing requirements of its customers; |
| | (ii) indigenisation of raw materials and components in a phased programme with cost benefits to minimise the imported content of raw materials in finished products; and |
| | (iii) upgradation of existing technology and/or importation of new technology through various foreign collaborations. |
| 2. Benefits derived as a result of the above efforts e.g. products improvement, cost reduction, product development, import substitution, etc. | Benefits derived as a result of the above efforts are — |
| | (i) minimisation of import will result in cost reduction during the course of next 1/2 years and thus save foreign exchange; |
| | (ii) meeting customers' requirements and achieving customers' satisfaction and hence resulting in getting continued orders; |
| | (iii) upgradation of new test-rigs in Defence production for achieving high quality products; |
| | (iv) continuous improvement of existing technology and/or induction of fresh technology; |
| | (v) new product development and improvement of existing products. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : | |
| (a) Technology imported | (1) C3W Distributor Valve in cast iron with load sensing mechanism for freight and passenger vehicles. |
| | (2) Rubber Technology, Tread Brake Unit and Computer Colour Monitor. |
| (b) Year of Import | (1) 1993-94 |
| | (2) 1994-95 |
| (c) Has technology been fully absorbed | (1) Yes, commercial production started. |
| | (2) Yes, commercial production started. |
| (d) If not fully absorbed, areas where this has not taken place, reason therefor and future plans of action. | Not applicable. |

For and on behalf of the Board
G. P. GOENKA
 Chairman

Calcutta, 19th June, 1998

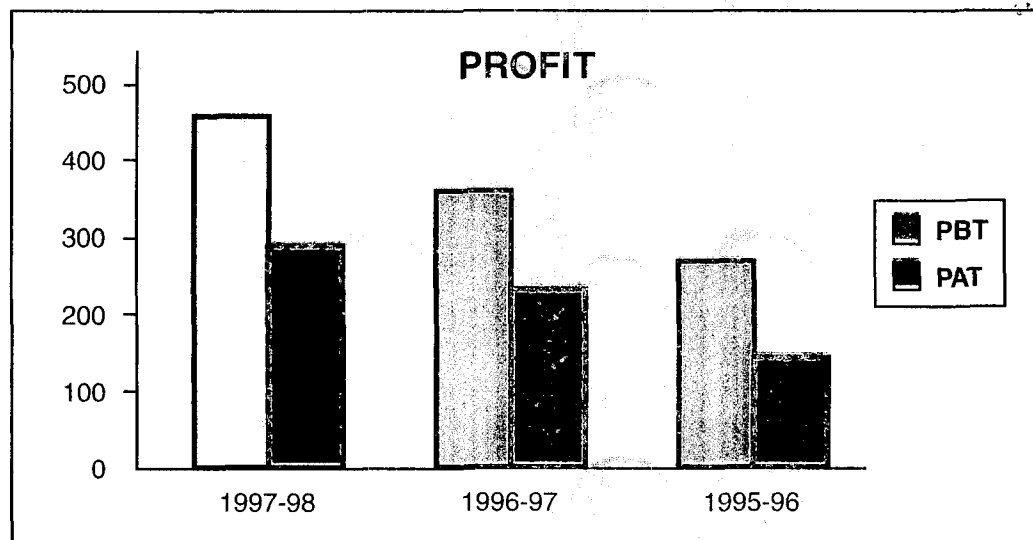
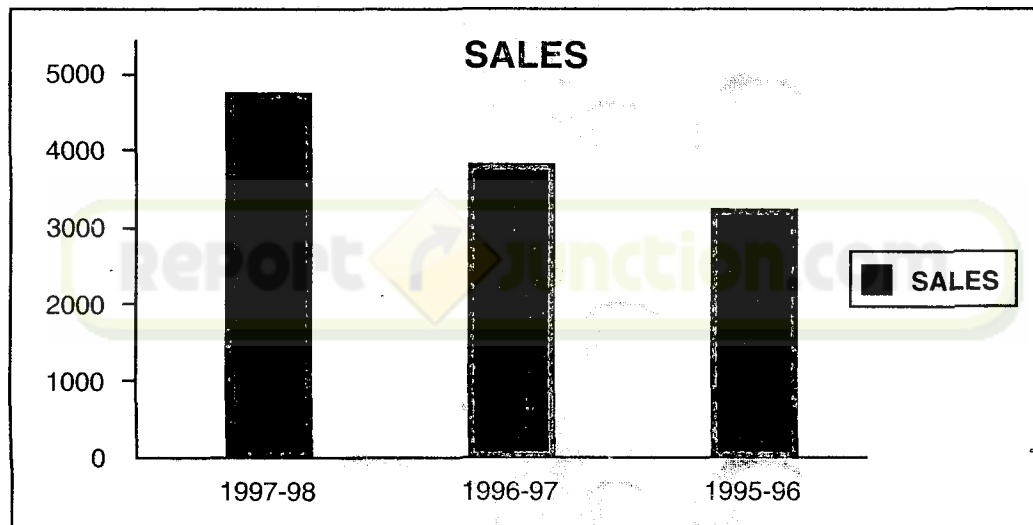


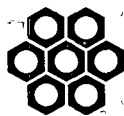
Financial Highlights

PERFORMANCE

Rs. in Lacs

	1997-98	1996-97	1995-96
Order Received	3860	3365	2759
Sales (Gross)	4734	3892	3118
Profit Before Tax	452	351	224
Profit After Tax	297	213	146





Stone India Limited

Ten Years At A Glance

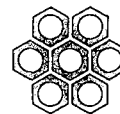
(Rs. in lacs)

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
(10 m'ths)										
Orders received	1167.71	1292.52	2180.48	2447.73	2933.49	2746.82	2601.27	2758.77	3364.77	3859.73
Orders Outstanding	1357.36	1287.69	1239.10	1224.77	1321.41	1541.88	1642.07	1691.15	1694.44	1381.97
Sales (Net)	1552.66	1999.19	2229.07	2462.06	2836.85	2526.35	2501.08	2709.69	3361.48	4172.20
Profit before Tax	242.89	305.23	323.75	351.10	238.88	210.28	220.88	223.78	350.55	452.34
Earning per Share (Rs.)	5.44	6.66	6.76	6.27	3.19	3.26	2.17	1.94	2.79	4.61
Dividend per Share (Rs.)	*1.25	1.50	1.50	+2.00	1.50	1.50	#1.20	1.20	1.40	1.70
Net Assets Employed										
Fixed Assets at Cost	584.00	613.40	682.39	783.20	914.63	1050.05	1468.67	1574.57	1645.91	1791.98
Current Assets (Net)	715.93	841.67	1012.92	1392.37	1938.09	2136.29	2920.68	3017.44	3250.91	3551.78
Deferred Revenue Expenditure	—	—	—	—	—	4.64	79.74	63.80	73.20	69.85
Net Assets Employed	<u>1299.93</u>	<u>1455.07</u>	<u>1695.31</u>	<u>2175.57</u>	<u>2852.72</u>	<u>3190.98</u>	<u>4469.09</u>	<u>4655.81</u>	<u>4970.02</u>	<u>5413.61</u>
Financed by										
Share Capital	248.01	248.01	248.01	347.21	347.21	347.21	751.46	753.57	753.58	753.58
Reserves	547.15	665.45	795.99	912.34	971.15	1032.35	2106.34	2167.21	2263.81	2489.91
Accumulated Depreciation	307.21	350.36	401.07	465.42	506.53	573.96	635.56	717.77	810.28	892.15
Loans and Overdrafts	197.56	191.25	250.24	450.60	1027.83	1237.46	975.73	1017.26	1142.35	1277.97
Capital Employed	<u>1299.93</u>	<u>1455.07</u>	<u>1695.31</u>	<u>2175.57</u>	<u>2852.72</u>	<u>3190.98</u>	<u>4469.09</u>	<u>4655.81</u>	<u>4970.02</u>	<u>5413.61</u>

* On expanded capital after issue of Bonus Shares in the ratio of 2 for 3

+ On expanded capital after issue of Right Shares in the ratio of 2 for 5

On expanded capital after Rights-cum-Public Issue



Auditors' Report

TO THE MEMBERS OF STONE INDIA LIMITED

We have audited the attached Balance Sheet of **Stone India Limited** as at 31st March, 1998 and also the Profit & Loss Account of the Company for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in exercise of the powers conferred by Section 227(4A) of the Companies Act, 1956 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate we state that :
 - i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company are physically verified by the management every alternate year which we consider reasonable. In accordance with this programme the fixed assets have been physically verified by a firm of Chartered Accountants during the year and no serious discrepancies between the book records and the physical balances were noted.
 - ii) The fixed assets of the Company have not been revalued during the year.
 - iii) Physical verification of finished goods, stores, spare parts and raw materials excluding goods in transit and goods lying with third parties has been conducted by the management in accordance with the perpetual inventory programme, at reasonable intervals.
 - iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business except as stated in (iii) above.
 - v) The discrepancies noted on physical verification of stocks were not material as compared to the book records and these have been properly dealt with in the books of account.
 - vi) In our opinion, on the basis of our examination of the stock records, the valuation of stocks of finished goods and raw materials (without considering Excise Duty thereon) is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
 - vii) The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. We have been informed that there is no Company under the same management as defined under Sub-section (1-B) of Section 370 of the Companies Act, 1956.
 - viii) In respect of unsecured loans given to certain companies listed in the Register maintained under Section 301 of the Companies Act, 1956 the rates of interest and other terms and conditions thereof are, prima facie not prejudicial to the interest of the Company.
 - ix) The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable except in a few cases of loans to employees which have since been regularised. However, with respect to certain inter corporate deposits given by the Company, there are substantial overdues regarding payment of interest; as explained by the Management, steps are being taken to recover these outstandings.
 - x) In our opinion, 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 similar assets and for the sale of goods. However, in respect of the Company's Colour Monitor division certain internal control procedures require to be strengthened.
 - xi) In our opinion, transactions of purchase of goods and materials and sale of goods and materials made pursuant to contracts or arrangements entered in the Register maintained under Section 301 of the Companies act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices of such goods and materials or the prices at which