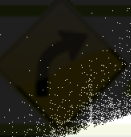
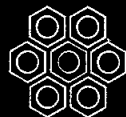
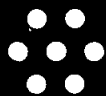


ANNUAL REPORT 1998-99

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Stone India Limited



Board of Directors

CHAIRMAN

G. P. GOENKA

DIRECTORS

S. RAY
I. SEN

SHRIVARDHAN GOENKA

K. S. B. SANYAL
R. SRINIVASAN

V. K. KAKKAR
Managing Director

SECRETARY
J. BISWAS

MANAGEMENT COMMITTEE

D. DAS
Vice President
Manufacturing

BINAYAK DATTA
Vice President
Finance

V. K. KAKKAR
Managing Director
S. L. AHUJA
Vice President
Marketing

J. BISWAS
Secretary

B. BHATTACHARYA
General Manager
Technical

BANKERS

ANZ GRINDLAYS BANK LTD.

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

SOLICITORS

ORR, DIGNAM & CO.

REGISTERED OFFICE

16, Taratalla Road
Calcutta 700 088
Ph : 478 4661-68

AUDITORS

LODHA & CO.

FACTORIES

- (1) 16, Taratalla Road, Calcutta 700 088, Ph : 478 4661-68
(2) Wagle Industrial Estate, Thane, Maharashtra, Ph : 582-2304

BRANCHES

New Delhi

Indra Palace
Cannought Circus,
New Delhi 110 001
Ph : 332-1932, 332-9426

Chennai

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

Mumbai

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



Contents

Report of the Directors

*

Financial Highlights

*

Auditors' Report

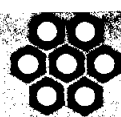
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Accounts

*

Cash Flow Statement

Report  junction.com



Report of the Directors

THE MEMBERS OF STONE INDIA LIMITED

The Directors have pleasure in presenting the Sixty-ninth Annual Report of your Company and the audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in lacs)	
	1998-99	1997-98
Gross Turnover (including Excise)	4577	4734
Profit for the year before tax	272	452
Provision for Taxation	98	155
Profit after Taxation	174	297
Tax provision no longer required written back	—	50
Balance brought forward from previous year	241	113
Amount available for appropriation	415	460
which the Directors have recommended to be appropriated as under :		
Proposed Dividend	90	128
Tax on Dividend	9	13
Transfer to General Reserve	4	26
Debenture Redemption Reserve	67	52
Leaving a balance to be carried forward	245	241
	415	460

In the face of mounting recessionary trends evidenced in the Indian Economy in general and in the Engineering Industry in particular, your Company has recorded a negative growth of about 3.3% in terms of turnover over the previous year.

DIVIDEND

Considering the performance for the year, the market conditions and future business prospects of the Company your Directors recommend a Dividend of 12% for the year ended 31st March, 1999.

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 20th July, 1999 or to their mandatees subject, however, to the provisions of Section 206A of the Companies Act, 1956.

OPERATIONS

Although as stated above, the turnover of your Company

overall has recorded a marginal negative growth of about 3.3% in the year under review, in its Core Sector of competence i.e. in the Railway Products Sector, there is a marginal growth of 1% over the previous year. This is in spite of the fact that the Railway Plans for the year under review did not quite offer scope for more substantial growth in view of the performance of the Railway Freight Sector.

The profitability has dropped resulting from price erosions due to heavy competition and the aforesaid decline in volumes.

On the cost front however, significant efforts were taken to contain both costs of input as well as expenses.

Stress is now being laid on areas where order book positions are satisfactory like in the Defence Supplies Sector.

New products on the anvil are expected to be launched during the current year in areas of Railway Braking Systems, Air



Annual Report of the Directors

Contingency Plans. Contingency Plans now are in place. The Board of Directors of this your Company, in compliance with the provisions of the Companies Act, 1956, is continuously updating from information available thereon. Should the necessity arise your Company will have a Contingency Plan in place by September 1999.

Due to changes in the duty structure on imports, the Colour Monitor could not suitably fit into the domestic market.

The products manufactured by Pioneer Friction Limited, the Joint Venture Company, continue to be accepted well by the Indian Railways and the necessary procedural approvals have already been obtained. The capacities are being doubled in view of the demand and the prospects of this product.

18.5% & 16% SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES

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

ENERGY CONSERVATION

Energy saving measures have been continuously introduced and kept up to control the overall energy consumption.

STATUS ON Y2K PREPARADNESS LEVELS

Risks : There were risks associated with the Y2K issue in executing normal key business functions across the Business Chain.

These would include :

- Inventory & Production Planning
- Sales & Despatch Executions
- Reporting & Controls

Status : During the year all the above key business processes were made Y2K Compliant.

Dates by which residual activities shall be made compliant : Not applicable as key business processes have already been made compliant.

Names of other intermediaries : The principal customers, the Indian Railways are already compliant in their Business Processes which have bearings on the business of this Company.

Costs : The total costs incurred on the entire system inclusive of Hard & Software, Peripherals and support was around Rs. 30 lacs.

Contingency Plans. Contingency Plans now are in place. The Board of Directors of this your Company, in compliance with the provisions of the Companies Act, 1956, is continuously updating from information available thereon. Should the necessity arise your Company will have a Contingency Plan in place by September 1999.

FOREIGN EXCHANGE EARNING AND OUTFLOW

Export orders for Braking System for Australia, Sri Lanka and Bangladesh were executed during the year and were well received by the respective customers.

The foreign exchange earnings during the year was Rs. 25 lacs against Rs. 31 lacs in the previous year and the outflow was Rs. 74 lacs against Rs. 168 lacs in the previous year.

PERSONNEL

Tripartite Agreement with the Factory Workmen expired on 31st March 1999 and fresh Charter of Demands have been submitted recently by the two Unions which will come up for negotiation in due course. Your Company continues to maintain excellent industrial relations with all its employees.

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

Your Company has taken a drive to train its employees at all levels and throughout the organisation to make the organisation competitive in the face of rising competition.

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

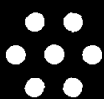
PARTICULARS UNDER SECTION 217(1)(E) FOR THE COMPANIES ACT, 1956

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. G. P. Goenka and Mr. I Sen retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. M J R Porter resigned from the Board with effect from 12th August, 1998. The Directors wish to place on record their appreciation of the valuable contributions made by Mr Porter during his tenure of office.



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 |
| 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 | Defence Items
1. Lock Installation
2. Oil Priming Pump
Railway Items :
1. Roof Mounted AC Package
2. Bogie Mounted Brake System
3. Brake System for CONCOR |
| 4. Expenditure on R&D | |
| (a) Capital | Rs. 2.78 lacs |
| (b) Recurring | Rs. 29.78 lacs |
| (c) Total | Rs. 32.56 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 tis 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' 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 technolgy;
(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. |
| (b) Year of Import | (2) Rubber Technology, Tread Brake Unit and Computer Colour Monitor.
(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. |

Calcutta, 25th May 1999

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



Report of the Auditors

AUDITORS

Messrs. Lodha & Co., Chartered Accountants, have been re-appointed. The observations made by Auditors in their Report have been dealt with in the explanatory letter to the Accounts in Schedule 25.

The Board expresses its sincere gratitude to Messrs. Lodha & Co. for the confidence reposed in them by the Board and the Company.

Given and on behalf of the Board

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 the Auditors' Report for the year ended 31st March, 1999 are attached.

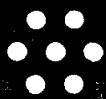
Calcutta, 25th May, 1999

G P Goenka
Chairman

ACKNOWLEDGEMENT

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

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Contents

Report of the Directors

*

Financial Highlights

*

Auditors' Report

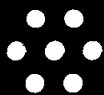
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Accounts

*

Cash Flow Statement

Report  junction.com



Report of the Directors (Continued)

Conditioning and Secondary Components for Defence Sector. This, it is estimated will go a major way in establishing your Company's track record as the market leader in its field of expertise.

Due to changes in the duty structure on imports, the Colour Monitor could not suitably fit into the domestic market.

The products manufactured by Pioneer Friction Limited, the Joint Venture Company, continue to be accepted well by the Indian Railways and the necessary procedural approvals have already been obtained. The capacities are being doubled in view of the demand and the prospects of this product.

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ENERGY CONSERVATION

Energy saving measures have been continuously introduced and kept up to control the overall energy consumption.

STATUS ON Y2K PREPARADNESS LEVELS

Risks : There were risks associated with the Y2K issue in executing normal key business functions across the Business Chain.

These would include :

- a) Inventory & Production Planning
- b) Sales & Despatch Executions
- c) Reporting & Controls

Status : During the year all the above key business processes were made Y2K Compliant.

Dates by which residual activities shall be made compliant : Not applicable as key business processes have already been made compliant.

Names of other intermediaries : The principal customers, the Indian Railways are already compliant in their Business Processes which have bearings on the business of this Company.

Costs : The total costs incurred on the entire system inclusive of Hard & Software, Peripherals and support was around Rs. 30 lacs.

Contingency Plans : The Contingency Plans now centre around External Risk Factors. For this your Company is in the process of continuously updating from information available thereon. Should the necessity arise your Company would have a Contingency Plan in place by September 1999.

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Mr. M J R Porter resigned from the Board with effect from 12th August, 1998. The Directors wish to place on record their appreciation of the valuable contributions made by Mr Porter during his tenure of office.



Report of the Directors (Continued)

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.

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

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 the Auditors' Report for the year ended 31st March, 1999 are attached.

Calcutta, 25th May, 1999

G P Goenka
Chairman

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