Stone India Limited

Report
and
Accounts
1999-2000

DUNCAN GOENKA

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BOARD OF DIRECTORS

CHAIRMAN

G. P. GOENKA

DIRECTORS

S. RAY

I. SEN

SHRIVARDHAN GOENKA
Wholetime Director

V. K. KAKKAR
Managing Director

K. S. B. SANYAL

R. SRINIVASAN

SECRETARY

J. BISWAS

MANAGEMENT COMMITTEE

V. K. KAKKAR
Managing Director

S. L. AHUJA
Vice President
Marketing

D. DAS
Vice President
Manufacturing

BINAYAK DATTA
Vice President
Finance

J. BISWAS
Secretary

B. BHATTACHARYA
General Manager
Technical

BANKERS

ANZ GRINDLAYS BANK LTD.

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

SOLICITORS

ORR, DIGNAM & CO.

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REPORT OF THE DIRECTORS

**THE MEMBERS
OF
STONE INDIA LIMITED**

The Directors present the Seventieth Annual Report of your Company and the audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs. in lacs)

	1999-00	1998-99
Gross Turnover (including Excise)	3751	4577
Profit for the year before tax	(100)	272
Provision for Taxation	—	98
Profit after Taxation	(100)	174
Balance brought forward from previous year	245	241
Amount available for appropriation	145	415
Which the Directors have recommended to be appropriated as under :		
Proposed Dividend	—	90
Tax on Dividend	—	9
Transfer to General Reserve	—	4
Debenture Redemption Reserve	37	67
Leaving a balance to be carried forward	108	245
	145	415

As a result of deferment of the orders of the Company's major customers - the Indian Railways, there was a considerable setback (18% over the previous year) in the workings of the Company.

DIVIDEND

Considering the performance for the year, your Directors do not recommend a Dividend for the year ended 31st March, 2000.

OPERATIONS

As stated before, performances during the year were hampered greatly as a result of the curtailment and postponement in the procurement program of the Indian Railways. This entailed a drop of 18% over the previous year in the Railway business of the Company. Consequently, profitability sharply declined compared to the previous year.

Ongoing efforts on control of costs, both of inputs as well as expenses, continue, but these efforts could not compensate the erosion in sale prices compounded with inflation in metal and component prices.

Stress was laid on growth in segments other than Railways and as a result Defence business increased 30% over last year.

New products are being launched during the current year in the Railway Braking Systems and Secondary Components for supplies to the manufacturing units under the Union Defence Ministry.

Capacities for production of Composite Brake Blocks by Pioneer Friction Limited, the Joint Venture Company, have been optimised during the year under review as the products of this Company continue to be well accepted by the Indian Railways. The activities recorded a 50% increase this year.

With a view to focus attention on core businesses, your Company divested its Rubber Components production activities to its subsidiary, Skylark Rubber Products Ltd., at Thane, Maharashtra, during the year.

During the year your Company has entered into an Agreement with Bakelite Hylam Limited, Sanathnagar, Hyderabad, for the acquisition of its "Heritage Surface Textures Division" manufacturers of Surface Textures under the names *"Heritage"* and *"Roller Coat"*. This shall give your Company an entry into the Core Sector of Infrastructure & Housing and is intended to reduce the Company's dependence on single customer markets.

REPORT OF THE DIRECTORS *(Contd.)*

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. The 18.5% Privately Placed Series and one-third of the 16% Public Series of Secured Redeemable Non-Convertible Debentures are due for redemption during the current year.

ENERGY CONSERVATION

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

STATUS ON Y2K PREPAREDNESS LEVELS

As reported last year, in line with the well laid out plans to combat the Y2K issue, there was no disruption on any of the business processes of your Company.

FOREIGN EXCHANGE EARNING AND OUTFLOW

Export orders for Braking System for Australia were executed during the year and were well received by the customers.

The foreign exchange earnings during the year was Rs. 6 lacs against Rs. 25 lacs in the previous year and the outflow was Rs. 44 lacs against Rs. 74 lacs in the previous year.

PERSONNEL

Industrial relations continued to remain cordial. The Charter of Demands placed by the two recognised Factory Unions are under negotiation. The Charter of Demands placed by one recognised Office Union will also come up for negotiation in due course.

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

Your Company continues 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) 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. S. Ray and Dr. R. Srinivasan retire by rotation and, being eligible, offer themselves for re-appointment.

LISTING OF EQUITY SHARES

Your Company's Equity Shares are listed on the Stock Exchanges at Calcutta, Mumbai, Delhi and Ahmedabad. There is no arrear in listing fee payment to such Stock Exchanges.

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 the Auditors' Report for the year ended 31st March, 2000 are attached.

ACKNOWLEDGEMENT

The Directors appreciate the continued assistance and co-operation 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, 3rd July, 2000

REPORT OF THE DIRECTORS *(Contd.)*

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 product and cost reduction
3. Future plan of action	**Defence Items :** 1. Lock Installation 2. Oil Priming Pump **Railway Items :** 1. Brake System for CONCOR 2. AM 92 Pantographs 3. Dual Panel Brake System
4. Expenditure on R&D	
(a) Capital	Rs. 6.14 Lacs
(b) Recurring	Rs. 23.96 Lacs
(c) Total	Rs. 30.10 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 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, 3rd July 2000

TEN YEARS AT A GLANCE

(Rs. in Lacs)

	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
Orders Received	**4,293.08**	3,810.76	3,859.77	3,364.77	2,758.77	2,601.27	2,746.82	2,933.49	2,447.73	2,180.48
Orders Outstanding	**2,191.26**	1,184.04	1,381.97	1,694.44	1,691.15	1,642.07	1,541.88	1,321.41	1,224.77	1,239.10
Sales (Net)	**3,285.86**	4,008.69	4,172.20	3,361.48	2,709.69	2,501.08	2,526.35	2,836.85	2,462.06	2,229.07
Profit before Tax	**(99.71)**	271.77	452.34	350.55	223.78	220.88	210.28	238.88	351.10	323.75
Earning per Share (Rs.)	—	2.30	4.61	2.79	1.94	2.17	3.26	3.19	6.27	6.76
Dividend per Share (Rs.)	—	1.20	1.70	1.40	1.20	#1.20	1.50	1.50	+2.00	1.50
Net Assets Employed										
Fixed Assets at Cost	**1,846.84**	1,835.33	1,791.98	1,645.91	1,574.57	1,468.67	1,050.05	914.63	783.20	682.39
Current Assets (Net)	**4,534.07**	3,836.81	3,566.29	3,250.91	3,017.44	2,920.68	2,136.29	1,938.09	1,392.37	1,012.92
Deferred Revenue Expenditure	**44.25**	65.44	69.85	73.20	63.80	79.74	4.64	—	—	—
Net Assets Employed	**6,425.16**	5,737.58	5,428.12	4,970.02	4,655.81	4,469.09	3,190.98	2,852.72	2,175.57	1,695.31
Financed by										
Share Capital	**753.58**	753.58	753.58	753.58	753.57	751.46	347.21	347.21	347.21	248.01
Reserves	**2,464.27**	2,563.98	2,489.91	2,263.81	2,167.21	2,106.34	1,032.35	971.15	912.34	795.99
Accumulated Depreciation	**1,035.01**	944.47	892.15	810.28	717.77	635.56	573.96	506.53	465.42	401.07
Loans and Overdrafts	**2,172.30**	1,475.55	1,292.48	1,142.35	1,017.26	975.73	1,237.46	1,027.83	450.60	250.24
Capital Employed	**6,425.16**	5,737.58	5,428.12	4,970.02	4,655.81	4,469.09	3,190.98	2,852.72	2,175.57	1,695.31

+ 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, 2000 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 the management during the year. The discrepancies noticed on physical verification of fixed assets were not material as compared to the book records.

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. Inventories with third parties have not been verified during the year.

iv) In our opinion and subject to our remarks under (iii) above, 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.

v) The discrepancies noticed on physical verification of stocks were not material as compared to the book records.

vi) In our opinion, on the basis of our examination of the stock records, the valuation of stocks of finished goods and raw materials is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year except for inclusion of excise duty on finished goods and inclusion of customs duty on imported raw materials lying at bonded warehouse, this change in basis being necessitated in order to comply with the requirements of the Accounting Standard-2 : "Valuation of Inventories" issued by the Institute of Chartered Accountants of India; this has resulted in an increase of Rs. 4.70 lacs under the heads Current Assets and Current Liabilities but has no effect on the loss for the 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 (since non-operative) 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. However, with respect to certain deposits given by the Company to corporates and others, there are overdues regarding payment of interest and commitment fees as indicated in Note No. (xii) of Schedule 23; 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.

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

AUDITORS' REPORT *(Contd.)*

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 transactions for similar goods and materials have been made with other parties. There has been no sale of services to such parties during the year.

xii) As explained to us, the Company has a system of determining unserviceable or damaged raw materials and finished goods, on the basis of technical evaluation. On the aforesaid basis, in our opinion, adequate provision for possible losses has been made in the accounts excluding for materials lying with subcontractors over a considerable period of time, the quantities and amount of which is not precisely ascertainable. In the absence of physical verification and adequate details of such stocks lying with subcontractors, the condition and retrievability of these stocks can not be confirmed by us.

xiii) The Company has no deposits falling within the purview of the provisions of Section 58A of the Companies Act, 1956.

xiv) In our opinion the Company has maintained reasonable records for the sale and disposal of realisable scrap wherever applicable and significant. As explained to us, the Company has no by-product.

xv) In our opinion, the Company's present internal audit system is commensurate with the size and nature of its business.

xvi) For the year ended 31st March, 2000, the Company is not required to maintain statutory cost records and accounts as prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for any of its products.

xvii) The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities except as indicated in Notes (xiii and xiv) of Schedule 23.

xviii) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty which remained outstanding as on the date of the Balance Sheet for more than six months from the date they became payable.

xix) During the course of our audit of the books of account carried out in accordance with generally accepted auditing practices and according to the information and explanations given to us, we have not come across any personal expenses of employees or Directors, other than those payable under contractual obligations or in accordance with the prevailing business practices which have been charged to Revenue Account.

xx) The Company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

xxi) In respect of trading activities, there was no damaged stock.

xxii) In respect of the Company's service activities :

(a) there is a reasonable system for recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business.

(b) the Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size and nature of its business.

(c) there is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business, for issue of stores and allocation of stores and labour to jobs.

2. Attention is invited to the following :

(a) Note No. (xvi) (a) and (b) of Schedule 23 regarding diminution in value of Investment in equity shares and recoverability of Loans and Advances (including interest) of Rs. 231.27 lacs in a associated company, the extent and impact of any losses thereon presently not being ascertainable.

AUDITORS' REPORT *(Contd.)*

(b) Note No. (xii) (a) of Schedule 23 regarding Loans and Advances and other Current Assets, recoverable from an associated company amounts to Rs. 63.88 lacs, the extent and impact of any losses arising from possible non-recovery thereon presently not being ascertainable.

(c) Note No. (xii) (b) of Schedule 23 regarding Loans and Advances and other Current Assets, given to certain companies and an individual amounting to Rs. 1056.95 lacs, the extent and impact of any losses arising from possible non-recovery thereon presently not being ascertainable.

(d) Note No. (xix) regarding non-provision of rental demands on the Company amounting to Rs. 29.11 lacs.

3. We further report that, without considering the items mentioned in paragraphs 2 (a), 2 (b) and 2 (c) above the effect of which could not be determined, had the observations made by us in paragraph 2 (d) above been considered, the loss for the year would have been Rs. 128.82 lacs (as against the reported figure of Rs. 99.71 lacs), current liabilities would have been Rs. 1179.55 lacs (as against the reported figure of Rs. 1150.44 lacs) and the Reserves & Surplus would have been Rs. 2435.16 lacs (as against the reported figure of Rs. 2464.27 lacs).

4. Further to the 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 purpose of our audit.

b) *The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.*

c) In our opinion and to the best of our information and according to the explanations given to us :

(i) The Profit & Loss Account and Balance Sheet prepared by the Company are in compliance with the various Accounting Standards specified by the Institute of Chartered Accountants of India.

(ii) Proper books of account as required by law, subject to Note No. 2 (d) above regarding non-provision of rental demands on land leased by the Company amounting to Rs. 29.11 lacs, have been kept by the Company so far as appears from our examination of the books.

(iii) In our opinion, the Profit and Loss Account and the Balance Sheet of the Company comply with the *accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.*

(iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our remarks with their resultant impact as given in paragraph 2 above, together with their overall impact (to the extent ascertainable) as given in paragraph 3 above and read with the other Notes thereon give a true and fair view :

a) in case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and

b) in case of Profit and Loss Account of the Loss for the year ended on that date.

For LODHA & CO.
Chartered Accountants

Calcutta,
Date : 1st July, 2000

P. L. VADERA
Partner