



Stone India Limited

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**Report
and
Accounts
2001-2002**

DUNCAN GOENKA

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BOARD OF DIRECTORS

CHAIRMAN

G. P. GOENKA

DIRECTORS

S. RAY

SHRIVARDHAN GOENKA

I. SEN

R. L. GAGGAR

A. RAY

Managing Director

SECRETARY

J. BISWAS

BANKERS

STANDARD CHARTERED GRINDLAYS BANK LTD.

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

SOLICITORS

ORR, DIGNAM & CO.

REGISTERED OFFICE

16, Taratalla Road

Kolkata-700 088, Ph : 401-4661 – 668

Fax : 401-4886, E-Mail : stonein@cal.vsnl.net.in

AUDITORS

M/S. LODHA & CO.

FACTORY

16, Taratalla Road, Kolkata-700 088, Ph : 401-4661 – 668

Fax : 401-4886, E-Mail : stonein@cal.vsnl.net.in

BRANCHES

New Delhi

C-193, Second floor
Greater Kailash Part – I
New Delhi-110 048

E-Mail : flower@del2.vsnl.net.in

Chennai

749, Annasalai, 2nd Floor
Chennai-600 002

Ph : 852-2825

Fax : 852-1945

E-Mail : sil@md2.vsnl.net.in

Mumbai

Stadium House, 3rd Floor
81/83, Veer Nariman Road
Mumbai 400 020

Ph : 287-0886, 282-0012, 282-1312

Fax : 202-1228

E-Mail : storind@bom3.vsnl.net.in



NOTICE

Notice is hereby given that the **SEVENTY-SECOND ANNUAL GENERAL MEETING** of the members of the Company will be held at the 4th Floor of Bharatiya Bhasha Parishad, 16A, Shakespeare Sarani, Kolkata 700 017 on Friday, 23rd August, 2002 at 3 P.M. to transact the following business :

1. To receive and adopt the Profit and Loss Account of the Company for the year ended 31st March 2002 and the Balance Sheet of the Company as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G.P. Goenka, who retires by rotation, and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. I. Sen, who retires by rotation, and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification the following Resolution:

5. As a Special Resolution:

"That consent be and is hereby accorded to the Company commencing all or any of the businesses of manufacturers, buyers and sellers of and dealers in all kinds of T.V., whether black and white or colour and components and accessories thereof."

Registered Office :

16, Taratalla Road
Kolkata 700 088
Dated the 24th June, 2002

By Order of the Board

J. BISWAS
Secretary

Notes :

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 16th August 2002 to Friday, 23rd August 2002, both days inclusive.
- (3) The Shareholders are informed that pursuant to Section 205A(5) of the Companies Act, 1956 all unpaid/unclaimed dividends for and upto and including the Company's Financial Year 1994/95 ended on 31st March 1995 have been transferred to the General Revenue Account of the Central Government. The concerned shareholders are requested to prefer their respective claims thereto to the Registrar of Companies, West Bengal, 234/4, Acharya J.C. Bose Road, Nizam Palace, Kolkata 700 020 in the prescribed Form in duplicate. Company Registration Number being 21-06996. Members desiring any assistance in the matter can get in touch with the Secretarial Department of the Company at its Registered Office at 16, Taratalla Road, Kolkata 700 088.
- (4) Those members who have so far not encashed their Dividend Warrants for the Company's Financial Years 1995/96, 1996/97, 1997/98 and 1998/99 (no Dividend declared thereafter) may claim to the Company for payment along with unencashed Dividend Warrants lying with them, if any.

In terms of the provisions of Section 205A of the Companies Act, 1956, and the Rules framed thereunder, any Dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. Accordingly, all unpaid/unclaimed dividends in respect of Dividend declared for the Financial Year 1995/96 ended on 31st March 1996 will be transferred to the said Fund in August 2003. As no claim shall lie against the Fund or the Company in respect of any Dividend transferred to the said Fund, members are requested to immediately write to the Company claiming the said Dividend, if payment thereof has not been received by them, alongwith the unencashed Dividend Warrants lying with them, if any.

Members desiring any assistance in the matter can get in touch with the Secretarial Department of the Company.



- (5) Members are requested to notify immediately change of their addresses, if any, to the Company's Secretarial Department so that future communications can be correctly despatched.

Mr. J. Biswas, Company Secretary, is the Compliance Officer in terms of Clause 12B of the Listing Agreement with the Stock Exchanges. Members may communicate with the Compliance officer in relation to any query pertaining to their shareholdings.

- (6) As per the provisions of the amended Companies Act, 1956 the facility for making nominations is available to Members in respect of their shares in the Company. Nomination forms can be obtained from the Registered Office of the Company, in case they hold their shares in physical form. If they are holding the Shares in dematerialised form they may contact their respective Depositories for such nomination.
- (7) Members holding more than one Share Certificate in the same name and in the same order of names but under different Ledger Folios, are requested to apply for consolidation of such Folios and send their all relevant Share Certificates to the Secretarial Department of the Company by Registered Post at the earliest in case they desire to hold shares in physical form in the Company.
- (8) Members are requested to produce the accompanying Attendance Slip at the entrance of the Meeting Hall and bring their copies of the Annual Report to the Meeting as extra copies will not be supplied.
- (9) An Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of the above item of Special Business is annexed hereto.

Brief profile of Directors seeking re-appointment at the Annual General Meeting

Mr. G.P. Goenka is a reputed industrialist hailing from one of the Country's oldest business families. The family has associated itself with the country's industrialisation for five generations since 1820. Being a science graduate from the University of Calcutta, Mr. Goenka has been the Chairman of the Company since 1992. He is also Chairman of a number of other well known listed companies.

Mr. Goenka has been associated with a number of Trade & Industry Organisations. He is a past President of the Federation of Indian Chambers of Commerce and Industry. He is also a past President of the Indian Tea Association and the Consultative Committee of Plantation Associations. He has also served as a Member of the Prime Minister's Council on Trade and Industry.

Mr. I. Sen graduated in Mechanical Engineering from B.E. College, Shibpur in 1961. He has been a Member of various professional Institutes.

He joined Martin Burn Ltd. in 1961 and worked in Burn Howrah for 4 years. Subsequently, he was with Hooghly Docking and Engineering Co. Ltd., Howrah as Works Manager for 7 years. He joined International Combustion (India) Limited as Works Manager – Baidyabati Works in 1971 and joined the Board of that Company as Wholetime Director in charge of operations in 1985. In April 1989 he became the Managing Director of that Company.

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EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item 5

The Company is at present engaged mainly as manufacturers of and dealers in certain specified items for the Railways and Defence.

It is considered by the Board of Directors ('the Board') of the Company that it would be both advantageous and convenient for the Company to diversify its business activities in the field of activities specified in the Resolution in Item 5 of the Notice convening the Meeting. The proposed new businesses are within Sub-Clause (6) of Clause 3 of the Memorandum of Association of the Company which sets out certain objects of the Company.

In view of Section 149(2A) of the Companies Act, 1956 any business which is not germane to the existing businesses of the Company cannot be commenced by the Company until such commencement is approved by the Company in General Meeting by a Special Resolution and a Declaration prescribed therefor is filed with the Registrar of Companies, West Bengal.

Since the businesses set out in the Special Resolution in Item 5 of the convening Notice are not germane to the Company's existing businesses, the Board is of the opinion that the Company should pass a Special Resolution under Section 149(2A) of the Companies Act, 1956 authorising the Company to commence the proposed new business activities. The Special Resolution set out in Item 5 of the convening Notice has to be considered accordingly and the Board recommends the same.

The Company will in due course arrange for the filing of the requisite Declaration with the Registrar of Companies, West Bengal.

No Director is concerned or interested in the Special Resolution.

Registered Office :

16, Taratalla Road
Kolkata 700 088

Dated the 24th June, 2002

By Order of the Board

J. BISWAS
Secretary

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REPORT OF THE DIRECTORS

THE MEMBERS OF STONE INDIA LIMITED

The Directors present the Seventy-second Annual Report of your Company and the audited Statement of Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	(Rs. in lacs)	
	2001-02	2000-01
Gross Turnover (including Excise)	3041	3241
Profit for the year before tax	(491)	(312)
Extraordinary Income/(Charges)	565	(706)
Provision for Taxation (Deferred Tax)	(32)	-
Profit after Taxation	42	(1018)
Balance brought forward from previous year	(910)	108
Amount available for appropriation	(868)	(910)
Which the Directors have recommended to be appropriated as under :		
Proposed Dividend	-	-
Tax on Dividend	-	-
Transfer to General Reserve	-	-
Debenture Redemption Reserve	-	-
Leaving a balance to be carried forward	(868)	(910)
	(868)	(910)

DIVIDEND

Considering the performance for the year, your Directors have not recommended a Dividend for the year ended 31st March, 2002.

OPERATIONS

The depressed market conditions continued in 2001-02 as in the preceding two years. The Railways have curtailed their procurement activities due to shortage of funds. The Defence business has slowed down due to phasing out of T-72 and introduction of T-90 Tanks. However, your Company has an order book of Rs. 18.23 Crores as at year end. Continuous efforts to cut costs are showing results and increasing competitiveness.

During the year under review, the Company disposed of its entire 49% Equity Share holding in the Joint Venture Company, Pioneer Friction Limited (PFL) to Futuris Industrial Products Pty. Ltd., Australia (FIP), the 51% Joint Venture partner. It was mutually agreed that FIP should purchase all the 20,41,362 Nos. Equity Shares held by your Company as well as 7 Nos. Equity Shares held by your Company's nominees being subscribers to the Memorandum of Association of PFL.

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

The Company has redeemed fully both the abovesaid series of Debentures during the year under review aggregating to Rs. 6.66 Crores.

ENERGY CONSERVATION

Energy conservation measures are a continuous activity of your Company. Consumption of power, fuel, oil, gas and water is systematically controlled and monitored.



REPORT OF THE DIRECTORS (Contd.)

FOREIGN EXCHANGE EARNING AND OUTFLOW

The foreign exchange earnings during the year was Rs. 772 Lacs against Rs. 7 Lacs in the previous year and the outflow was Rs. 121 Lacs against Rs. 165 Lacs in the previous year.

PERSONNEL

Industrial relations continued to remain cordial. Two Charters 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.

Re-structuring and rationalization of manpower is in process to make the organization competitive.

At the same time your Company continues to train its employees at all levels and throughout the organisation as a part of its human resource development activities.

There is no employee whose particulars are to be given pursuant to Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975.

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

The Board of Directors at its Meeting held on 30th July, 2001 appointed Mr. R.L. Gaggar as a Director of the Company in the casual vacancy caused by the resignation of Dr. R. Srinivasan. Mr. Gaggar will hold office until the date that Dr. Srinivasan would have held office had he not resigned.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that :

- i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the Annual Accounts on a going concern basis.

LISTING OF EQUITY SHARES

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

DEMATERIALISATION OF SHARES

As the members are aware, Equity Shares of your Company can now be traded only in dematerialised form. Members have the option to dematerialise their shareholdings through either of the two Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. Transfer-cum-dematerialisation facilities are also available to the investors. As on date, over 32% approx. of the Company's Equity Shares have been dematerialised.



REPORT OF THE DIRECTORS (Contd.)

CORPORATE GOVERNANCE

As mentioned in our last year's Report, the Corporate Governance Code, as introduced by SEBI, has been made applicable to your Company for the Financial Year 2001-2002. We also mentioned that your Company will implement such Code in terms of the Listing Agreements with the Stock Exchanges on or before 31st March, 2002. We are pleased to inform you that your Company has complied with the Code of Corporate Governance well before the abovesaid time limit.

A separate Report on Corporate Governance in the format as prescribed by the Listing Agreements forms a part of this Annual Report and is being attached hereto, along with the Auditors' Certificate on its compliance.

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.

SUBSIDIARY COMPANY

The Statement pursuant to Section 212 of the Companies Act, 1956 and the Annual Report & Accounts of Skylark Rubber Products Ltd., a wholly owned subsidiary of your Company, together with the Auditors' Report for the year ended 31st March, 2002 are attached.

ACKNOWLEDGEMENT

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

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

Kolkata, 24th June, 2002





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
2. Benefits derived as a result of the above R&D
3. Future plan of action

Rail & Defence Products

Import substitution, development of new products improvement of existing products and cost reduction

Defence Items :

1. Components for Ordnance Factories
2. New items including components for T-90

Railway Items :

1. Development of Export Quality Brake Cylinder & Reservoir.
2. Development of two-stage Brake System.
3. Cost reduction for Air Brakes & Slack Adjuster.

4. Expenditure on R&D
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R&D Expenditure as a percentage of total turnover

Nil

Rs. 18.03 Lacs

Rs. 18.03 Lacs

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 :

Technologies imported and subsequently fully absorbed, but such importation was made before 5 years from the Financial Year 2001-02

- (a) Technology imported
- (b) Year of Import
- (c) Has technology been fully absorbed
- (d) If not fully absorbed, areas where this has not taken place, reason therefor and future plans of action.

For and on behalf of the Board

Kolkata, 24th June, 2002

G. P. GOENKA
Chairman