

Stone India Limited

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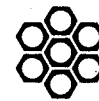
Report
and
Accounts
2003-2004

DUNCAN GOENKA



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BOARD OF DIRECTORS

CHAIRMAN

G. P. GOENKA

DIRECTORS

S. RAY

I. SEN

SHRIVARDHAN GOENKA

A. AGARWAL

R. R. PRASAD

A. MONDAL

Managing Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

R. SWAMI

BANKERS

STANDARD CHARTERED GRINDLAYS BANK LTD.

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

AUDITORS

M/S. LODHA & CO.

REGISTERED OFFICE

16, Taratalla Road

Kolkata - 700 088, Ph : (033) 2401-4661 – 668

Fax : (033) 2401-4886, E-Mail : info@stoneindia.co.in

FACTORY

16, Taratalla Road, Kolkata-700 088, Ph : (033) 2401-4661 – 668

Fax : (033) 2401-4886, E-Mail : info@stoneindia.co.in

BRANCHES

New Delhi

C-193, Second Floor
Greater Kailash Part - I

New Delhi - 110 048

Ph : (011) 2622 1840

Fax : (011) 5163-3628

E-Mail : mktg.delhi@stonein.co.in

Chennai

Plot No. 1323, Door No.7, 18th Main Road

Anna Nagar West

Chennai - 600 040

Ph : (044) 2618-6755/6188

Fax : (044) 2618-6700

E-Mail : mktg.chennai@stonein.co.in

Mumbai

Stadium House, 3rd Floor

81/83, Veer Nariman Road

Churchgate, Mumbai - 400 020

Ph : (022) 2282-0012/1312

Fax : (022) 2202-1228

E-Mail : mktg.mumbai@stonein.co.in

REGISTRAR & SHARE TRANSFER AGENT

C B Management Services Pvt. Ltd.

P-22, Bondel Road, Kolkata - 700 019

Ph : (033) 2280 6692/6694 & 2280 2486/2937

Fax : (033) 2247 0263

E-mail : cbmsl1@cal2.vsnl.net.in



NOTICE

Notice is hereby given that the **SEVENTY-FOURTH ANNUAL GENERAL MEETING** of the members of the Company will be held at 'Kala Kunj' (Basement) Hall, Kalamandir, 48 Shakespeare Sarani, Kolkata 700 017 on Monday, 30th August 2004, at 10.30 A.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 2004 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. Shrivardhan Goenka, who retires by rotation, and, being eligible, offers himself for re-appointment.
3. 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 Resolutions :

4. As an Ordinary Resolution :
"That Mr R. R. Prasad be and he is hereby appointed a Director of the Company."
5. As an Ordinary Resolution :
"That Mr. A. Mondal be and he is hereby appointed a Director of the Company."
6. As a Special Resolution :
"That pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, if any, as may be required, the Company hereby approves the appointment of Mr. A. Mondal for a period of three years from 15th October 2003 as to the period from the said 15th October 2003 to 14th January 2004 as Managing Director (Designate) and thereafter from 15th January 2004 to the remainder of his three year term of appointment expiring on 14th October 2006 as the Managing Director of the Company upon the remuneration as set out in the Explanatory Statement attached hereto with liberty to the Board of Directors of the Company ('the Board') to alter and/or vary such terms and conditions of appointment including remuneration in such manner as may be agreed to by and between the Board and Mr. Mondal."
7. As a Special Resolution :
"That in accordance with the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be prescribed or imposed by any Authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors ('the Board') the consent be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Stock Exchanges at Delhi and Ahmedabad and,
that authority be and is hereby accorded to the Board or any Committee/person(s) authorized by the Board, to do and perform all such acts, deeds and things as may be considered necessary, expedient and desirable, for the purpose of giving effect to this resolution."

Registered Office :

16, Taratalla Road
Kolkata 700 088
Dated the 29th June, 2004

By Order of the Board

R. SWAMI
Chief Financial Officer
& Company 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 Monday, 23rd August, 2004 to Monday, 30th August, 2004, 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 1995/96 ended on 31st March 1996 have been transferred to the Investor Education and Protection Fund.
- (4) Those members who have so far not encashed their Dividend Warrants for the Company's Financial Years 1996/97, 1997/98 and 1998/99 (no Dividend has been declared thereafter) may make a claim to the Company's Registrar & Share Transfer Agent, C. B. Management Services Pvt. Ltd., P-22, Bondel Road, Kolkata 700 019 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 1996/97 ended on 31st March, 1997 will be transferred to the said Fund shortly. 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's Registrar & Share Transfer Agent, C. B. Management Services Pvt. Ltd. claiming the said Dividend, if payment thereof has not been received by them, alongwith the unencashed Dividend Warrants lying with them, if any.
- (5) Members are requested to notify immediately any change of their addresses to the Company's abovesaid Registrar & Share Transfer Agent, C. B. Management Services Pvt. Ltd. so that future communications can be correctly despatched.



Mr. R. Swami, Chief Financial Officer & 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 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 C. B. Management Services Pvt. Ltd., Registrar & Share Transfer Agent 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 Company's Registrar & Share Transfer Agent, C. B. Management Services Pvt. Ltd. by Registered Post at the earliest in case they desire to continue 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 items of Special Business is annexed hereto.

Brief Profile of Directors seeking appointment/re-appointment at the Annual General Meeting pursuant to the Corporate Governance Code.

1. Name of the Director	Mr. Shrivardhan Goenka
Age	28 years
Qualifications	B.Com., MBA, Kellogg School of Management, Northwestern University, U.S.A.
Nature of expertise	General Management, Finance and Marketing.
Date of First Appointment	25th November 1997
Name of the companies in which he holds Directorship of Board	Odyssey Travels Limited, Continuous Forms (Calcutta) Limited, Octave Technologies Private Limited, Marleybone Travels & Resorts Private Limited, Pallmall Edusystems and Medicare Services Pvt. Ltd., Gujarat Carbon & Industries Limited, Duncans Tea Limited, Unimers India Limited, Star Paper Mills Limited, NRC Limited, Kavita Marketing P. Ltd., Shubh Shanti Services Limited
Name of the companies in which he holds Membership of Committees of the Board	Nil
Professional Membership	Indian Chamber of Commerce – Committee Member
2. Name of the Director	Mr. R. R. Prasad
Age	47 years
Qualifications	B.Com., A.C.A., A.C.M.A. (U.K.), M.Sc. (Finance), London School of Economics
Nature of expertise	Finance, Commercial, Treasury, Projects, Marketing and General Management functions.
Date of First Appointment	1st December 2003
Name of the companies in which he holds Directorship of Board	Duncans Industries Ltd., Dail Consultants Ltd., Skylight Trading Co. Ltd., Shubh Shanti Services Limited, Bargate Communication Pvt. Ltd., Infratech Software Services Pvt. Ltd.
Name of the companies in which he holds Membership of Committees of the Board	Nil
Professional Membership	Associate Member of the Institute of Chartered Accountants of India. Associate Member of the Chartered Institute of Management Accountants, London. Member of the Expert Committee on Banking & Finance of the Indian Chamber of Commerce, Kolkata.
3. Name of the Director	Mr. Amit Mondal
Age	47 years
Qualifications	B. Tech (Hons) in Mechanical Engineering from IIT, Kharagpur & PGDIM from NITIE, Mumbai.
Nature of expertise	New Product & Business Development, Radical Performance Improvement, Business Transformation, International Marketing, Sound Negotiating Skills, Foreign Collaboration & JVs, International Funding, Setting up of New Operations, High Performance Team Building, Cost Optimizations, etc.
Date of First Appointment	15th October 2003
Name of the companies in which he holds Directorship of Board	Skylark Rubber Products Limited
Name of the companies in which he holds Membership of Committees of the Board	Nil
Professional Membership	Member of All India Management Association



EXPLANATORY STATEMENT

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

Item 4

Pursuant to Article 88 of the Company's Articles of Association read with Section 260 of the Companies Act, 1956 ('the Act') the Board of Directors of the Company ('the Board') by a Resolution passed by Circulation on 1st December 2003 appointed Mr. R.R. Prasad as an additional Director of the Company with effect from 1st December 2003.

Under the said Article read with Section 260 of the Act Mr. Prasad will hold office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received Notice in writing in terms of Section 257 of the Act from a member signifying her intention to propose the appointment of Mr. Prasad as a Director of the Company. Mr. Prasad is willing to act as Director of the Company, if appointed and has filed with the Company his consent in writing pursuant to Section 264(1) of the Act.

The Board considers that the appointment of Mr. Prasad as a Director of the Company would prove beneficial to the Company, and accordingly, recommends the Resolution set out in Item 4 of the convening Notice.

No Director of the Company except Mr. Prasad is concerned or interested in the Resolution.

Item 5

Pursuant to Article 88 of the Company's Articles of Association read with Section 260 of the Act the Board by a Resolution passed by Circulation on 10th October 2003 appointed Mr. A. Mondal as an additional Director of the Company with effect from 15th October 2003.

Under the said Article read with Section 260 of the Act Mr. Mondal will hold office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received Notice in writing in terms of Section 257 of the Act from a member signifying his intention to propose the appointment of Mr. Mondal as a Director of the Company. Mr. Mondal is willing to act as Director of the Company, if appointed and has filed with the Company his consent in writing pursuant to Section 264(1) of the Act.

The Board considers that the appointment of Mr. Mondal as a Director of the Company would prove beneficial to the Company, and accordingly, recommends the Resolution set out in Item 5 of the convening Notice.

No Director of the Company except Mr. Mondal is concerned or interested in the Resolution.

Item 6

The term of office of Mr. A. Ray, the former Managing Director of the Company expired by effluxion of time on 14th January 2004.

By a Resolution passed by Circulation on 10th October 2003 the Board appointed Mr. A. Mondal for a period of three years from 15th October 2003 to 14th October 2006, initially as Managing Director (Designate) from 15th October 2003 to 14th January 2004 and, thereafter as Managing Director from 15th January 2004 to 14th October 2006.

The appointment and remuneration of Mr. Mondal are subject to the approval of the members of the Company in the ensuing Annual General Meeting.

The terms and conditions of such appointment are set out in an Agreement ('the Agreement') to be entered into between the Company of one part and Mr. Mondal of the other part after the said approval of the Members of the Company in the ensuing Annual General Meeting. The material terms of the said Agreement may be summarized as follows :

1. Mr. Mondal shall be the Managing Director (Designate) from 15th October 2003 to 14th January 2004 and Managing Director of the Company from 15th January 2004 to 14th October 2006, renewable thereafter for further period subject to mutually agreed terms.
2. Mr. Mondal shall devote the whole of his time and attention to the business and affairs of the Company and shall subject to the superintendence, control and direction of the Board have substantial powers of Management and shall perform the duties and exercise the powers referable or in relation thereto. He shall also perform such other duties and exercise such further powers as may from time to time be entrusted to or conferred upon him by the Board.
3. In consideration of his services Mr. Mondal shall be entitled to the following by way of remuneration:
 - (i) **Basic Salary** : At the rate of Rs. 85,000/- (Rupees Eighty-five thousand only) per month.
 - (ii) **Special Pay** : At the rate of Rs. 23,000/- (Rupees Twenty-three thousand only) per month.
 - (iii) **Performance Bonus** : A sum not exceeding Rs. 2,00,000/- (Rupees Two Lakhs only) per annum and to be decided by the Chairman based on pre-agreed performance parameters.

**(iv) Perquisites -**

- (a) Either Company leased accommodation or House Rent of Rs. 24,000/- (Rupees Twenty-four thousand only) per month. Furnishing may be provided by the Company, if required, as per Rules of the Company.
- (b) Reimbursement of Medical Expenses incurred for self and family subject to a maximum of Rs. 15,000/- (Rupees Fifteen thousand only) per annum.
- (c) Leave Travel Assistance maximum of Rs. 85,000/- (Rupees Eighty-five thousand only) per annum subject to the Income Tax Rules, 1962.
- (d) Membership Fee & monthly subscription of one club.
- (e) Payment of Premium on account of Group Accident Insurance Policy and Medical Insurance Scheme in accordance with the Rules of the Company from time to time in force as applicable to the Senior Executives of the Company.
- (f) Car for use on the Company's business only and reimbursement of residential telephone bills for use in the Company's business only.
- (g) Due to contingency of work, Mr. Mondal will be allowed to maintain an office annexed to his place of residence. All reasonable actual expenses to maintain such an office will be paid by the Company.

In the event of absence or inadequacy of profits of the Company in any Financial Year during the term of Mr. Mondal's appointment he shall for that year receive the same remuneration as above within the ceiling limits laid down in Section II of Part II of Schedule XIII to the Act.

Mr. Mondal shall also be entitled to leave in accordance with the Rules of the Company from time to time in force as applicable to the Senior Executives of the Company and be entitled to encashment of unavailed of leave at the end of his term of office.

Mr. Mondal shall be entitled to reimbursement of other expenses actually and properly incurred in connection with the Company's business.

The Agreement provides *inter alia* for earlier determination by either party by giving or paying to the other six months' notice in writing or six months' salary in lieu thereof and also sets out the mutual rights and obligations of the parties and other administrative details.

The appointment and remuneration of Mr. Mondal as the Company's Managing Director require the approval of the members of the Company in General Meeting in terms of Paragraph (1) of Part III of Schedule XIII to the Act and the remuneration payable also requires the approval of members of the Company in General Meeting under Section 309 of the Act.

The appointment of Mr. Mondal on the terms proposed satisfies the conditions laid down in Parts I and II of Schedule XIII to the Act and the requisite Return in the prescribed Form (along with a Certificate under Paragraph (2) of Part III of the said Schedule) under Section 269(2) of the Act has already been filed by the Company with the Registrar of Companies, West Bengal.

As required under sub-paragraph B(iv) of Paragraph 1 of Section II of Part II of Schedule XIII of the Act, it is confirmed that :

- (i) The remuneration payable to Mr. Mondal has been approved by a Resolution passed at a Meeting held on 10th December 2003 by the Remuneration Committee of the Board of Directors of the Company.
- (ii) The Company has not defaulted in repayment of any of its debts (including Public Deposits) or Debentures or Interest payable thereon for a continuous period of 30 days in the preceding Financial Year before the date of appointment of Mr. Mondal.
- (iii) The Resolution for payment of remuneration to Mr. Mondal is valid for three years from 15th October 2003 to 14th October 2006 and is being proposed as a Special Resolution.
- (iv) As required under the Act the following further particulars pertaining to the Company and the appointee are set out herein :

I. General information:**(1) Nature of Industry:**

Manufacturer of electrical and mechanical engineering equipment applicable to rolling stock of Railways e.g. coaches, wagons and locomotives, air brakes, alternators, pantographs, brake systems for coaches, wagons and locomotives, panel mounted brakes, brake regulators, air dryers, brake blocks and electrical, mechanical and electronic equipments for Defence.

(2) Date or expected date of commencement of commercial production:

The Company commenced business on 15th January 1931.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not applicable

(4) **Financial performance based on given indicators :**

Financial performance over the last three financial periods are set out as under :

(Rs. in Lacs)

	2001-2002	2002-2003	2003-2004
Gross Turnover (including Excise)	3041	3398	3445
Profit for the year before tax	(491)	48	(338)
Extraordinary Income/(Charges)	565	-	(558)
Provision for Taxation (Deferred Tax)	(32)	-	-
Withdrawal of provision of Deferred Tax being no longer required	-	88	-
Profit after Taxation	42	136	(896)
Balance brought forward from previous year	(910)	(868)	(732)
Balance at the end of the year	(868)	(732)	(1628)
Less: Adjusted with General Reserve	-	-	1264
Debit balance of Profit & Loss Account	-	-	364
Equity Share Capital	754	754	754
Reserves & Surplus	2528	2561	1985
Fixed Assets	1764	1541	1432
Investments	409	409	483
Net Current Assets	2702	2858	2064

(5) **Export performance:**

Export earnings on FOB basis over the last three accounting periods have been as under :

(Rs. in Lacs)

	2001-2002	2002-2003	2003-2004
	3.71	0.72	Nil

(6) **Foreign Investments or collaborators, if any:**

The Company has neither any foreign investment nor any foreign collaborator.

II. Information about the appointee:**1. Background details:**

Mr. Mondal is a B. Tech (Hons.) in Mechanical Engineering from IIT Kharagpur and PGDIM from NITIE, Mumbai. He has a very rich experience over 22 years in manufacturing and business restructuring. Before joining the Company he has served last 12 years in Senior/top Management positions at leading FMCG, Industrial Rubber Products, Automotive and Cement Company in the capacity of Profit Centre Head/CEO/COO. His areas of expertise are New Product & Business Development, Radical Performance Improvement, Business Transformation, International Marketing, Sound negotiating skills, Foreign Collaboration & JVs, International Funding, Setting up of new operations, High Performance Team Building and Cost optimizations.

2. Past Remuneration:

Mr. Mondal was self-employed as a Consultant just before he joined the Company for one year.

3. Recognition or awards:

None.

4. Job Profile and his suitability:

Subject to the superintendence, control and direction of the Board, Mr. Mondal will manage and superintend the business affairs and properties of the Company and do all such lawful acts and things in relation to such management and superintendence as he shall think fit and reasonable.

He has a very rich total experience over 22 years in manufacturing and business restructuring. Before joining the Company he has held many senior/top management positions in various industries for last 12 years.

**5. Remuneration proposed:**

As mentioned in the foregoing pages.

6. Comparative Remuneration Profile with respect to Industry, size of the Company, Profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

Mr. Mondal's remuneration structure is not higher than what is drawn by his peers in comparable companies.

7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Save what is set out herein Mr. Mondal will not be entitled to remuneration from the Company under any other head. He has no direct or indirect interest in any selling agency of the Company. No relative of Mr. Mondal is employed by the Company.

III. Other information:**1. Reasons of loss or inadequate profits:**

The Company has been going through a difficult phase during the past year. Raw Material prices have gone up drastically while the selling prices of finished goods have remained static or, in some cases, have gone down due to severe competitive pressure. Further, certain amounts of unrecoverable dues have also been provided for in the Books of Accounts thus increasing the loss for the year.

2. Steps taken or proposed to be taken for improvement:

The Company has already put in place a cost rationalization programme which seeks to bring about a cost effectiveness into the Company's operations along with an increase in productivity. Aggressive marketing of conventional products and quick development of new products will ensure topline growth of the Company.

3. Expected increase in productivity and profits in measurable terms:

It is expected that the Financial Year 2004-05 will see a turnaround in the Company's performance with a substantial increase in turnover and expected operating profits.

IV. Disclosures:

1. The remuneration package of Mr. Mondal has already been set out above.

2. The necessary disclosures as required under Sub-paragraph B(iv) of Paragraph 1 of Section II of Part II of Schedule XIII of the Act have already been made in the Board of Directors' Report on Corporate Governance.

The Board considers that having regard to his background and experience the appointment and remuneration of Mr. Mondal as the Managing Director of the Company are justified.

The Resolution set out in Item 6 of the convening Notice has to be considered accordingly and the Board recommends the same.

A draft of the Agreement referred hereinabove will be available for inspection by the members of the Company at its Registered Office on any working day prior to the date of the Meeting during usual business hours and will also be available at the Meeting.

No Director of the Company except Mr. Mondal is concerned or interested in the Resolution.

This may also be regarded as an abstract of Mr. Mondal's terms of appointment as Managing Director of the Company and Memorandum of Interest in terms of Section 302 of the Act.

Item 7

The Equity Shares of the Company are at present listed at The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Ltd., The Delhi Stock Exchange Association Ltd. and The Stock Exchange, Ahmedabad.

In terms of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, a company may delist its securities from Stock Exchanges provided its securities continue to be listed in a Stock Exchange having nationwide trading terminals like The Stock Exchange, Mumbai and/or The National Stock Exchange of India Ltd.

The Company's Shares being listed with the Stock Exchanges at Mumbai and Calcutta it is proposed to get the Equity Shares of the Company delisted from the Stock Exchanges at Delhi and Ahmedabad.

The resolution under this item is intended to obtain the approval of members for proposed delisting of Equity Shares of the Company from the abovementioned two Stock Exchanges and your Directors recommend its approval.

None of the Directors is concerned or interested in the Resolution.

Registered Office:

16, Taratalla Road
Kolkata 700 088

Dated the 29th June, 2004

By Order of the Board

R. SWAMI
Chief Financial Officer
& Company Secretary



REPORT OF THE DIRECTORS

THE MEMBERS OF STONE INDIA LIMITED

The Directors present the Seventy-fourth Annual Report of your Company and the audited Statement of Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. in lacs)	
	<u>2003-04</u>	<u>2002-03</u>
Gross Turnover (including Excise)	<u>3445</u>	<u>3398</u>
Profit for the year before tax	(338)	48
Extraordinary Income/(Charges)	<u>(558)</u>	<u>—</u>
	<u>(896)</u>	<u>48</u>
Less : Provision for Taxation	<u>—</u>	<u>—</u>
Less : Deferred Tax	<u>—</u>	<u>—</u>
	<u>(896)</u>	<u>48</u>
Add : Withdrawal of provision of Deferred Tax being no longer required	<u>—</u>	<u>88</u>
Profit after Taxation	(896)	136
Balance brought forward from previous year	<u>(732)</u>	<u>(868)</u>
Amount available for appropriation	<u>(1628)</u>	<u>(732)</u>
Which the Directors have recommended to be appropriated as under :		
Proposed Dividend	<u>—</u>	<u>—</u>
Tax on Dividend	<u>—</u>	<u>—</u>
Transfer from General Reserve	<u>(1264)</u>	<u>—</u>
Leaving a balance to be carried forward	<u>(364)</u>	<u>(732)</u>
	<u>(1628)</u>	<u>(732)</u>

DIVIDEND

Considering the performance for the year, your Directors have not recommended a Dividend for the year ended 31st March 2004.

OPERATIONS

Your Company's gross turnover marginally increased from Rs. 3398 Lacs in 2002-03 to Rs. 3445 Lacs in 2003-04. Depressed market conditions which have been continuing for the last few years have led to a drop in the demand for our products. During the year under review raw material prices had gone up drastically while the selling prices of finished goods remained static and, in some cases had gone down, with consequential adverse impact on your Company's profitability.

Your Company's order book stood at Rs. 1467 Lacs as at the year end.

In spite of sluggish Defence business due to phasing out of T-72 Tanks and delay in the indigenisation of T-90 Tanks, your Company managed to augment its turnover in this line of business from Rs. 53 Lacs in 2002-03 to Rs. 127 Lacs in 2003-04.

ENERGY CONSERVATION

Your Company continues to monitor and control consumption of power, oil, fuel, gas and water. Energy conservation procedures form an important part of your Company's operational practices.