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ANNUAL REPORT
2004 - 2005

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BOARD OF DIRECTORS

CHAIRMAN

G. P. GOENKA

DIRECTORS

S. RAY

I. SEN

SHRIVARDHAN GOENKA

A. AGARWAL

R. R. PRASAD

MANAGING DIRECTOR

A. MONDAL

FINANCIAL CONTROLLER & COMPANY SECRETARY

U. CHAKRAVARTY

BANKERS

STANDARD CHARTERED GRINDLAYS BANK LTD.
STATE BANK OF INDIA
PUNJAB NATIONAL BANK

AUDITORS

M/S. LODHA & CO.
CHARTERED ACCOUNTANTS
14, GOVERNMENT PLACE EAST
KOLKATA- 700 069

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) 2287-0263
E-mail : cbmsl1@cal2.vsnl.net.in

NOTICE

Notice is hereby given that the **SEVENTY-FIFTH 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 Wednesday, 17th August 2005, 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 2005 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. I. Sen, who retires by rotation, and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to authorize 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 as a Special Resolution :

4. That pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) (hereinafter referred to as "the Act") and subject to the relevant provisions of the Memorandum & Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and in accordance with the applicable regulations / guidelines / clarifications issued by The Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India ("RBI"), all other applicable laws, regulations and subject to approval of the lenders, if any, and subject to all such approvals, permission or sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions or sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which expression shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers, including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to create, issue and allot, in one or more tranches, and upon such terms and conditions as may be deemed appropriate by the Board, by way of preferential allotment upto 15,00,000 Warrants, with an option to the warrant holders to acquire, for every warrant, one fully paid up equity shares of Rs. 10 each of the Company for cash, at a price of Rs. 97 per equity share (i.e. at a premium of Rs. 87 per share), aggregating to Rs 14.55 crores (Rupees Fourteen Crores Fiftyfive Lakhs Only) which price has been calculated based on the "guidelines for preferential issues" issued by SEBI under SEBI (Disclosure & Investor protection) Guidelines, 2000, on such other terms and conditions, as the Board may deem appropriate in its absolute discretion to the Promoters and other independent persons as specified in the explanatory statement on the terms and condition given herein :
 - 1) One new Equity share of the Company of the face value of Rs. 10/- each at a price of Rs. 97 per share in lieu of one warrant shall be issued at same price calculated in SEBI (DIP) guidelines, 2000 and certified by the statutory auditors of the Company.
 - 2) The "Relevant Date" for the purpose of preferential issue as per the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended upto date for the determination of the applicable price for the Equity shares in lieu of the above mentioned warrants is 18 July, 2005, which is 30 days prior to the date of this Annual General Meeting.
 - 3) The amount of Rs. 1,45,50,000 (Rupees One Crore Fourtyfive Lakhs and Fifty Thousand Only) being 10% of the total warrant amount will be payable at the time of making the application which will be kept by the Company as a deposit to be adjusted and appropriated against the price of the Equity shares payable by the Warrant holders at the time of exercising the option.
 - 4) The option to acquire the equity shares may be exercised by the warrant holders at any time in one or more tranches before the expiry of the 18 months from the date of allotment of warrants.
 - 5) In the event the warrant holder does not exercise the option given under the warrants within 18 months from the date of allotment of warrants, the warrants shall lapse and the amount of deposit shall stand forfeited by the Company.
 - 6) The warrants issued and allotted to the promoters shall be transferable within the promoter group subject to the approval of the Board and such other approvals as may be necessary.
 - 7) In the event, the company making a bonus issue by way of capitalization of its reserves prior to allotment of equity shares resulting from the exercise of option under the warrants, the number of equity shares to be allotted against such warrant shall stand augmented in the same proportion in which the equity share increases as a consequence of the Bonus issue and the premium shall stand reduced on a prorata basis.



- 8) In the event the company making a rights offer by way of issue of new Equity Shares prior to allotment of equity shares resulting from the exercise of option under the warrants, the number of equity shares to be allotted against such warrants shall stand increased in the same proportion in the rights offer and such additional equity shares shall be offered to the warrant holders at the same price at which the existing shareholders are offered equity shares.
- 9) The instruments shall be subject to such lock in period as specified in SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended upto date.
- 10) The equity shares to be issued and allotted by the Company as a consequence of the conversion / exchange of the warrants in the manner aforesaid shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing shares of the company.
- 11) The warrants shall not carry any voting / dividend rights.

Further that :

- (a) The Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of the Shares and also shall be entitled to vary, modify or alter any of the terms and conditions, including the issue price and the size of the issue, as it may deem expedient, subject to the provisions of the Act, the rules/regulations/ guidelines issued by GOI/RBI/SEBI, without being required to seek any further consent or approval of the Company in a General Meeting.
- (b) The offer, issue and allotment of the aforesaid Shares shall be made at such time or times as the Board may in its absolute discretion decide.
- (c) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any director or directors or to any committee of directors or any other officer or officers of the Company to give effect to the aforesaid resolution.

Further that for giving effect to this Resolution, the Board be and is hereby authorised to take such steps and to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue, allotment and utilisation of the issue proceeds of the shares for the Company's expansion plans, capital expenditure, working capital and other corporate initiatives etc., to prescribe the forms of application, enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit.

Further that the Board be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as the GOI//RBI/SEBI or any other regulatory authority may stipulate in that behalf.

By Order of the Board

Registered Office :

16, Taratalla Road
Kolkata 700 088
Dated the 13th July 2005

U. CHAKRAVARTY
Financial Controller
& 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 Wednesday, 10th August 2005 to Wednesday, 17th August 2005, 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 1996/97 ended on 31st March 1997 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 Year 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 1997/98 ended on 31st March 1998 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.

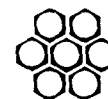
- (5) Members are requested to notify immediately any change of their addresses to the Company's abovesaid Registrar & Share Transfer Agent, C.B. Management Services Pvt. Ltd. so that future communications can be correctly depatched.

Mr. U. Chakravarty, Financial Controller & 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 dematerialized 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 item of Special Business is annexed hereto.

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

1. Name of the Director	Mr. I. Sen
Age	65 years
Qualifications	B.E. (Mech.)
Nature of expertise	43 years' experience in Engineering Industries and Corporate Management
Date of First Appointment	7th May 1991
Name of the companies in which he holds Directorship of Board	International Combustion (India) Limited
Name of the companies in which he holds Membership of Committees of the Board	International Combustion (India) Limited – Share Transfer & Shareholders' Grievance Committee – Finance Committee
Professional Membership	–



CATEGORY	Pre-Preferential Issue as at 30.06.2005		Post-Preferential Issue	
	Equity Shares Held (*)	Percentage of Share Holding	On exercise of option given under the warrants issued to the promoters & other investors	Percentage after conversion of warrants into Equity Shares
A. Promoter's Holding				
1 a) Indian Promoters	3023275	40.15	4023275	44.56
b) Foreign Promoters	—	—	—	—
2 Persons acting in Concert	43439	0.58	93439	1.04
Sub Total	3066714	40.73	4116714	45.60
B. Non-Promoter Holding				
3 Institutional Investors				
a) Mutual funds, Banks & FIs	490562	6.52	490562	5.43
b) FIIs	313075	4.16	313075	3.47
Sub Total	803637	10.68	803637	8.90
4 Others				
a) Private corporate Bodies	613071	8.14	1063071	11.78
b) Indian Public	2897564	38.48	2897564	32.09
c) NRIs/OCBs	112215	1.49	112215	1.24
d) Others	35798	0.48	35798	0.39
Sub Total	3658648	48.59	4108648	45.50
GRANDTOTAL	7528999	100.00	1500000	100.00

(*) Shares of Face Value Rs. 10/-

4. Proposed time within which allotment will be completed:

The allotment of the instruments is expected to be completed within 15 days of the date of passing of the above resolution. Provided that where the allotment is pending on account of pendency of any Regulatory Approval or the Central Government, the allotment is expected to be completed within 15 days of such approval.

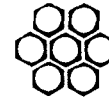
5. Identity of the proposed Allottees and the percentage of post preferential issue capital that may be held by them.

Sr. No.	Name of the Proposed Allottee	No. of Warrants proposed to be Allotted (*)	% of Post Issue Shareholding
1	Promoters	1000000	44.56
2	Persons acting in concert	50000	1.04
3	Other Independent Investors (Private Corporate Bodies)	450000	11.78
	Total	1500000	57.38

(*) Face Value Rs. 10/- each

The percentages have been worked out after considering conversion of warrants into Equity Shares.

The Company have had separate negotiations with each of the proposed allottees and as such each of them are independent of each other and are not dependent/contingent upon the others. One or more of the proposed allottees may or may not subscribe to the warrants as set out above. If this were to occur, the shareholding pattern may change.



EXPLANATORY STATEMENT

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

Item No 4:

To support the growth plans and to raise resources for its long term requirements and working capital needs, your Board of Directors ("Board") in its meeting held on 13, July 2005, subject to approval by the Company in General Meeting and requisite statutory approvals, has proposed to offer for subscription by way of preferential allotment 15,00,000 warrants with an option to the warrant holders to acquire, for every warrant, one fully paid up equity shares of Rs. 10/- each of the Company for cash, at a price of Rs. 97 per equity share of Rs. 10/- each of the Company (the "Shares") to promoters and other independent investors, in one or more tranches, for an aggregate value of Rs. 14,55,00,000 (Rupees Fourteen Crores Fiftyfive Lakhs Only). The funds raised from the issue will be utilized for a combination of initiatives that include capital expenditure and meeting working capital requirements.

The Special Resolution has been proposed under the provisions of Section 81(1A) of the Companies Act, 1956 ("Act") in view of the fact that the shares will be offered to persons who may or may not be the existing members. Further, under the Listing Agreements with stock exchanges, the Company, in the first instance, is required to offer all shares to be issued for subscription, pro-rata to the existing equity shareholders unless they decide otherwise in a General Meeting.

As per SEBI's Guidelines for Preferential Issues, The issue of shares on a preferential basis can be made only at a price, which is not less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the six months preceding the "relevant date"; Or
- (ii) The average of the weekly high and low of the closing prices of the shares quoted on a stock exchange during the two weeks preceding the "relevant date"

The "Relevant Date" for the above purpose means the date thirty days prior to the date on which the General Meeting is held to consider the proposed issue under Section 81(1A) of the Act. As the date of the Annual General Meeting of shareholders is 17, August 2005, the "relevant date" is 18 July, 2005.

The minimum issue price computed on the above basis works out to Rs.97 per share approximately. As against this, the shares are proposed to be issued at Rs. 97 per share. The equity shares to be issued and allotted on exercise of the warrants shall be subject to the Memorandum and Articles of Association of the Company and the terms of issue. The equity shares to be issued and allotted on exercise of warrants shall rank pari-passu in all respects with, and carry the same rights including dividend as, the existing equity shares.

The Board believes that the proposed offer will be in the best interest of the Company and its members.

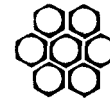
1. Object of the Issue:

The objects of the issue are to mobilize funds for implementing the Company's growth plans. The Company proposes to expand existing capacities. The funds raised from this preferential issue along with internal accruals will be utilized for funding capital expenditure for existing operations and expansion and meeting working capital requirements.

2. Intention of Promoters/Directors/Key Management Persons to Subscribe to the Preferential Offer.

The Promoters intend to subscribe to the issue of Warrants on a preferential basis.

3. Shareholding Pattern before and after the Proposed Issue based on the shareholding pattern as on 30.06.2005



The instruments to be allotted to the above Investors under the proposed offering shall be subject to a lock-in period in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000.

A copy of the certificate from M/s Lodha & Company, Kolkata, Statutory Auditors of the Company, certifying that the issue of warrants is being made in accordance with the requirements of SEBI's Guidelines for Preferential Issues as contained in the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines), shall be placed before the shareholders at the AGM.

Shri G.P. Goenka & Shri. Shrivandhan Goenka are concerned or interested in the Resolution.

The Board recommends the Resolution for your approval.

Registered Office :

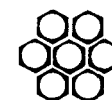
16, Taratalla Road
Kolkata 700 088
Dated the 13th July, 2005

By Order of the Board

U. CHAKRAVARTY

Financial Controller
& Company Secretary

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REPORT OF THE DIRECTORS

THE MEMBERS OF STONE INDIA LIMITED

The Directors take pleasure in presenting the Seventy-fifth Annual Report of your Company and the audited Statement of Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2004-05	2003-04
Gross Turnover (including Excise)	4651	3445
Profit for the year before tax and exceptional items	56	(338)
Extraordinary Income/(Charges)	183	(558)
Profit before tax after exceptional items	239	(896)
Less : Provision for Taxation	(10)	—
Less : Deferred Tax	—	—
Profit after Taxation	229	(896)
Balance brought forward from previous year	(1628)	(732)
Less : Impairment Loss	(120)	—
Amount available for appropriation	(1519)	(1628)
Which the Directors have recommended to be appropriated as under :		
Proposed Dividend	—	—
Tax on Dividend	—	—
Transfer from General Reserve	(1264)	(1264)
Leaving a balance to be carried forward	(255)	(364)
	(1519)	(1628)

DIVIDEND

Considering the past performance of the Company and the position of its Reserves and Surplus, your Directors have not recommended a Dividend for the year ended 31st March 2005.

OPERATIONS

Your Company's gross turnover increased markedly from Rs. 3,445 Lacs in 2003-04 to Rs. 4,651 Lacs in 2004-05. Due to a series of actions initiated during the year relating to productivity improvement, cost rationalization and aggressive market acquisition, your Company has turned the corner and is witnessing a phase of growth and financial improvement. Your Company has also initiated a variety of plans, which will have a major role in ramping up, both, the top line and the bottom line of the Company in the coming years.

Your Company's order book stood at Rs. 2,242 Lacs as at the year end.

The Defence business remained sluggish and your Company did not fare very well in this line of business. Active thought is being given to phasing out this line of business and concentrating on other more profitable areas. The turnover from the Defence business during 2004-05 was Rs. 18.72 Lacs. In view of shrinking business volume it is proposed to gradually close down the Defence business.