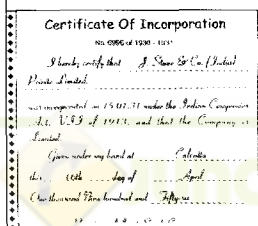


Stone India celebrating 75 years

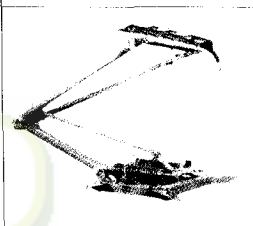
Incorporation of
J.Stone & Co (India)
Private Limited



Production started at
the Taratolla Factory



Production of
Pantograph AM12
started under Licence



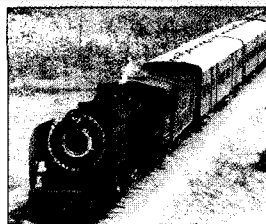
Report

Stone India

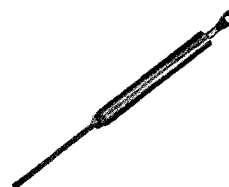
"Last evening our representative had the pleasure of a trial run in a 40 feet long composite carriage between Egmore and Saidapet, recently fitted with Messrs J. STONE & CO.'s new patent electric light system for railway carriages, each carriage carrying its own generating plant and being complete in itself. The contrast between brilliantly lit carriage in which the party travelled and the dim tank-lamp light which is generally met with on Indian Railways was most marked."

Extract from the "MADRAS TIMES"
Dated 5th August, 1897

The first footprints in
India : J.Stone & Co
providing electric
fittings for the maiden
run of train between
Egmore and Saidapet



Super Heater
supplies for
Steam Locomotive
started



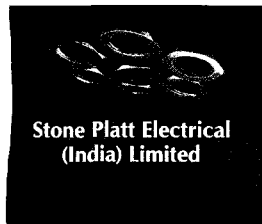
Licence received for
manufacturing Brake
Slack Adjuster

J. STONE & COMPANY (INDIA) LTD.
PROSPECTUS

Issue of 3,57,130 Equity Shares of Rs. 10/- each

Became a public limited
company named as
J.Stone & Company
(India) Limited.
Launched the first IPO

Company was
renamed as Stone
Platt Electrical
(India) Limited



The company
became Stone
India Limited

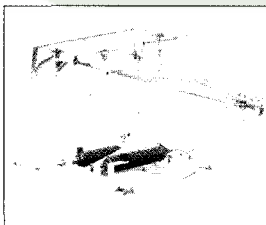
Production of
Loco Break equipment
and Distributor Valve
started at Taratalla
Plant, Calcutta



Agreement signed with
Wabtec Corp. USA for
manufacture of 'VAPORID'
air drier by Stone India Ltd.



Production of
High Speed
Pantograph AM92
started under Licence



The Three Cornerstones

That Define Stone India Ltd.

Vision

Mission & Values

The Stone India Vision :

Our vision is to pursue and consolidate our position of leadership through passion, innovation and teamwork.

The Stone India Mission :

Our mission is to maximise wealth creation for all the stake-holders of the company through supply of cost effective products, services and innovative solutions through integration of people, technology, processes and business systems.

The Stone India Values :

Our values encompass every facet and discipline of our work. The business objectives and operations, as well as collective and individual behaviours of Stone India employees, are judged according to the following values :

- Discipline
- Stretch
- Trust
- Support
- Speed
- Diversity



Leadership through Teamwork & Quality

*Team
Stone India
can achieve the
impossible...
because it dares
to think out of
the box.*

Stone India considers its employees to be its biggest asset. Motivating its workforce and encouraging a spirit of teamwork has propelled Stone India to the position of leadership in the industry.

At Stone India, employees are recruited and promoted purely based on merit. Furthermore, the employees are trained and continuously encouraged to achieve higher levels of qualification and competence. The authorities maintain regular dialogue with all the employees through standard procedures.

Stone India employees are provided with safe working conditions, given meaningful tasks and challenging goals and are empowered with appropriate authority and responsibility. The work environment fosters innovation, openness and leadership qualities.

At Stone India, success is always a true reflection of performance. The company continuously strives to improve the operating and financial performances.

Following a set of well laid out business principles is integral to the functioning of Stone India. the business principles, reinforced by a unique Quality Policy, ensure unmatched customer satisfaction.

Every Stone India employee is trained to fully understand and to completely satisfy the customer's requirements.

Stone India is committed to deliver technology, products, services, and information that meet or exceed customer needs and expectations.

Stone India Quality Management Process (which utilizes actual performance data to drive continuous improvement), enable employees to fulfil these objectives.

The company's activities are guided by a code of ethics, which ensures that ideology is not compromised in the pursuit of success.

*Our
quality products
ensure
safe movement of
people and goods
by rail*

From the Chairman's Desk



Dear Shareholders,

I write to share with you the path-breaking performance of Stone India across most operating and financial indicators while we celebrate the Platinum Jubilee Year. The pre-eminent position that your company enjoyed in the past has been regained. Stone India, today, is clearly on a leadership track; while consolidating its position in the domestic market it is also foraying into the international market and is going from strength to strength. I am pleased to let you know that we have successfully met all the objectives that we set out to achieve during the past couple of years and am confident that we will continue to raise the bar even higher in the years to come.

Of course, we are fortunate to be aided by the economy growing at a healthy rate of 8.1%. This is particularly impressive since we have seen growth rates of 8.5% in 2003-04 and 7.5% in 2004-05. It is indeed encouraging that all the principal sectors of the economy have contributed to this growth. Current growth rates in excess of 2% for the agriculture sector, 9% for industry and the manufacturing sectors resulting in the service sector growing by around 10% augurs well for our country. I strongly feel that if the reforms are continued, the economy is well on the path to record a sustainable 9% plus growth rate in future. However, to achieve this, the manufacturing sector must grow by about 12%. High growth of manufacturing will take the share of Indian manufacturing in GDP from the current level of around 17% to 34% in due course, as is the case with many fast developing south East Asian economies. It is also satisfying that despite the Indian economy growing at such a high rate, inflation has been contained at around 5%. India continues its commitment to remain an open economy which guarantees freedom of enterprise, respects individual creativity, and mobilizes public investment for growth and stability. In this backdrop, I do welcome and emphasize the need for continued vigilance on the macroeconomic front and look forward to robust growth across most sectors, particularly the manufacturing sector, to which your company belongs.

Following from the strong economic position, the Indian Railways, who are the principal

customers of your Company, are also in very good shape. Building on a record breaking performance in the year 2005-06 with growth in freight loading and revenues at 10% and over 18% respectively, gross traffic revenues are expected to be 16% higher in the current fiscal. The Indian Railways is now looking forward to, amongst others, major technological up-gradation in the rolling stock, a renewed focus on safety, design and manufacture of new high capacity wagons made of aluminium and stainless steel. Transfer of technology and use of IT & ITES is being encouraged and consequently Public partnership & Public-Private partnership is likely to get a major thrust. Installed capacities in Railway workshops and production units are being enhanced. These measures have resulted in the largest ever plan outlay of Rs. 23,475 crores for the 2006-07 fiscal.

In the above scenario, we do visualise very good growth prospects for your Company. Hence we have aimed to increase the intrinsic worth of Stone India by ushering in higher productivity levels supported by enhanced production levels to cater to the expected increase in domestic requirement of the Indian Railways. We are therefore investing in a new production facility in Himachal Pradesh as announced earlier. We have also entered into a number of foreign technological collaborations for introducing a number of hi-tech products in the country for the first time. A number of these new products are import substitution products as well and should save precious foreign exchange for our country.

The Company strongly believes in Leadership through Passion, Innovation and Teamwork. Our mission is to maximize value creation for all the stake-holders of the company through supply of cost effective products, services and innovative solutions through integration of people, technology, processes, and business systems. Behind today's success of Stone India is the saga of teamwork. I would like to acknowledge the role played by the Indian Railways, our overseas technology partners, all our business associates, bankers and external financiers, shareholders and last but not the least, our employees working in perfect harmony.

I thank you for your continued confidence in Stone India. Most of you have supported and encouraged us through difficult periods of transformation. While this process of transformation continues and the dream of leadership yet to be realised, all the essential elements of our vision, mission and objectives are in place to meet future challenges; I eagerly look forward to an extraordinary 2006-07.

With best wishes,

Sincerely,



G. P. Goenka
Chairman of the Board

Kolkata, 11th May, 2006

Board of Directors



Standing from left to right Mr. S. Gupta, Mr. A. Agarwal, Mr. Shrivardhan Goenka, Mr. I. Sen, Mr. S. Ray and sitting from left to right Mr. A. Mondal, Mr. G. P. Goenka.

Management Committee



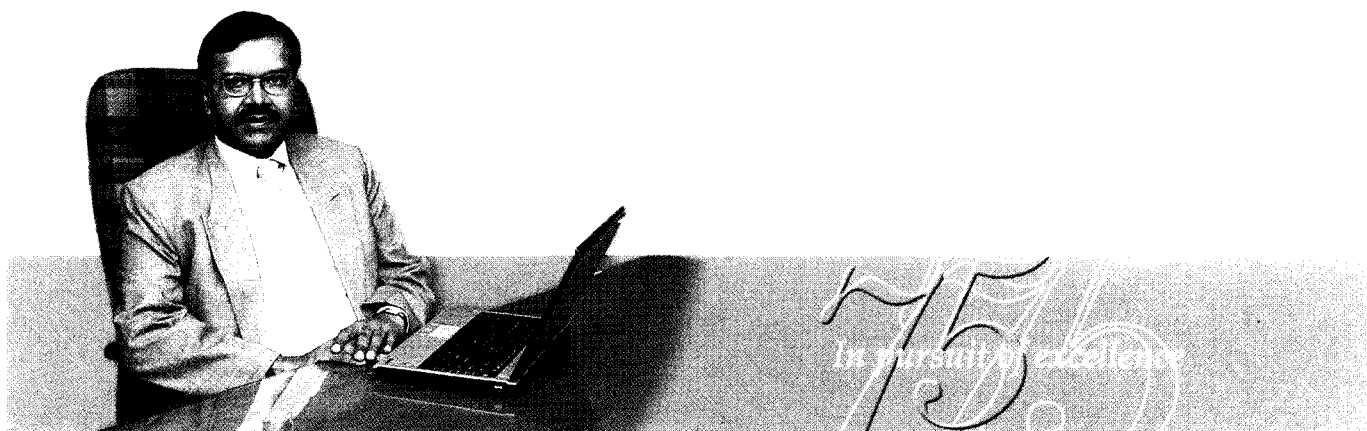
Standing from left to right Mr. A. Bhargava, Mr. U. Palit, Mr. R. K. Ganeshan, Mr. P. Sircar and sitting from left to right Mr. A. Mondal, Mr. G. Ghosh.

Operating Committee



Standing from left to right Mr. D. Kundu, Mr. S. Roy, Mr. J. Ghatak, Mr. N. K. Kutty, Mr. J. S. Das and sitting from left to right Mr. M. Basu, Mr. D. Sen, Mr. S. Biswas.

From the Managing Director's Desk



Dear Stakeholders,

We have reached the end of another milestone year since you entrusted me with the responsibilities of the Managing Director of your Company in 2003. I have communicated with you and kept you informed about the developments in your Company from time to time in the past.

I am very glad to inform you that we have been successful in executing our work plan to achieve an enduring business transformation process thereby consolidating our position on the leadership track. We strongly believe leaders do not create followers but they create more leaders. Our continued success and robust financial growth are due to our prudent and pragmatic corporate strategy and business model. Following from this, your Board of Directors have recommended a dividend of 10% after a gap of 6 years in the Platinum Jubilee year of STONE INDIA.

The turnaround has been possible due to our firm belief in our Vision of *Leadership through Passion, Innovation & Teamwork*. All this has been possible due to the unstinted support of our customers, both internal and external and valuable guidance and direction provided by your Board of Directors.

Our vision is supported by the values, which we constantly preach and practice in our day to day activities:

STRETCH serving as the source of energy and **DISCIPLINE** helping to convert this energy into tangible and time bound actions

A combination of **TRUST** and **SUPPORT** motivates everybody to cooperate and collaborate. Trust makes cooperation desirable and support enables individuals to convert the desire into actions.

