



**ANNUAL REPORT**  
**2010 - 2011**

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## BOARD OF DIRECTORS

<b>Chairman</b>	<b>Directors</b>
G. P. Goenka	S. Ray
<b>Managing Director &amp; CEO</b>	I. Sen
A. Mondal	A. Agarwal
<b>Whole time Director</b>	A. K. Goswami
Shrivardhan Goenka	

### BOARD COMMITTEES

<b>Audit Committee</b>		<b>Shareholders'/Investors' Grievance Committee</b>		<b>Remuneration Committee</b>	
S. Ray	Chairman	S. Ray	Chairman	I. Sen	Chairman
I. Sen	Member	I. Sen	Member	G. P. Goenka	Member
A. K. Goswami	Member	A. Mondal	Member	S. Ray	Member
A. Mondal	Permanent Invitee			A. Agarwal	Member

### CORPORATE MANAGEMENT COMMITTEE

A. Mondal	Managing Director & CEO
G. Ghosh	Sr. Vice President (Marketing)
U. Palit	Sr. Vice President (Operations)
S. Goswami	Sr. Vice President & CFO

**Company Secretary,  
Legal & Compliance  
Officer**  
D. Thakurta

**Auditors**  
Lodha & Co.  
*Chartered Accountants*  
14 Government Place East,  
Kolkata 700 069

**Bankers**  
State Bank of India  
Indian Overseas Bank  
ICICI Bank Limited

### Registrar & Share Transfer Agent

C. B. Management Services Pvt. Ltd.  
P-22, Bondel Road, Kolkata 700 019  
Ph.: +91 33 40116700/6701/ 6718/6723  
Fax: +91 33 2287 0263 E-mail: rta@cbmsl.com

### Registered Office

16 Taratalla Road, Kolkata 700 088, India  
Phone: +91 33 2401 4661-8, Fax: +91 33 2401 4886  
E-mail: info@stoneindia.co.in, Website: www.stoneindia.co.in



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting their 81st Annual Report on the business and operations of your Company for the financial year ended on 31st March, 2011.

### FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	For the Financial Year 2010-11	For the Financial Year 2009-10
Gross Turnover	10,044.75	10,140.91
Profit before Interest, Depreciation, Taxation & Exceptional items	1,196.88	1,093.75
Interest	406.66	360.81
Depreciation	173.26	171.77
Profit before Taxation and exceptional items	615.37	561.17
Prior Period Items	(1.59)	—
Profit before Taxation after exceptional items	615.37	561.17
Provision for Taxation – Current Tax	141.36	100.34
Provision for Taxation – Deferred Tax	13.11	21.82
Fringe Benefit Tax	—	—
Income Tax for earlier year	5.00	(1.68)
Profit after Taxation	455.90	440.69
Balance brought forward from previous year	853.14	412.45
Profit available for appropriation	1,309.04	853.14
<b>APPROPRIATIONS:</b>		
Proposed Dividend (Nil; previous year : Nil)	—	—
Tax on Dividend	—	—
Transfer to/(from) General Reserve	—	—
Balance Carried to the Balance Sheet	1,309.04	853.14

### OPERATIONS

Some of the key highlights of your Company's performance during the year under review are:

- The Gross Turnover Rs.10,044.75 lacs as against Rs.10,140.91 lacs in the last year.
- Profit before Taxation and after Exceptional items Rs.615.37 lacs as against Rs.561.17 lacs in the last year.
- Profit after Taxation Rs.455.90 lacs as against Rs.440.69 lacs in the last year.

After recession in 2009, the world output witnessed a recovery in the year 2010 by 5%. The International Monetary Fund has forecast world GDP growth for the year 2011 at 4.4%. Comparatively, in the year 2010-11, the Indian economy recorded a GDP growth of 8.6% against 8% recorded in 2009-10.

During the year 2010-11 the Engineering Industry on the whole fared well except for certain sectors which experienced a slowing down. Suspension of delivery schedules by

customers for certain new products had an adverse impact on the performance of the Company. All out efforts are being made during the ongoing year to regain the lost ground by focusing on new business areas comprising non-Railway products.

In this context, prospects for Bio-Toilets with the new environment friendly technology appear to be encouraging in construction sites and in rural and urban areas lacking adequate modern sanitized toilet facilities.

Your Company, has meanwhile, entered into a Memorandum of Understanding with Voith Turbo Scharfenberg, GMBH & Co., K.G. of Germany to produce high-end couplers for passenger coaches and EMU's, with Sumitomo Electric Industries of Japan to manufacture Emergency Stoppers of Air Springs, Tokai Rubber also of Japan for Conical Springs and NRT & Co. of South Korea for supplying Platform Screen Doors (PSD) for various Metro Rail Projects in India. PSD's provide safe and energy saving solutions for Metro commuters.

## **DIRECTORS' REPORT (Contd.)**

The Company's in-house Research and Development wing is engaged in constant endeavour to upgrade the technological aspects of its products in line with the requirements of the Railways as well as to keep ahead of the competitors. The major in-house success stories during the year under review are the development of prototype Bogie Mounted Break Systems (BMBS) for wagon applications, Failure Intimation-cum-Brake Application Valve for Air Springs (FIBA), Micro Processor based Locomotive Control & Fault Diagnostic System, Electro-Pneumatic Brake system for EMUs/DMUs, Control Discharge Toilet System and of Vigilance Control Device (VCD) for Electrical Locomotives. Your Company is also in the process of designing Passenger Information System for Trains, Remote Train Monitoring System, which is presently in advanced stage of development.

There are certain other developed products, namely, EOTT, FDCS, Air Springs & Control Equipment, 180 KVA Converters, Microprocessor based Loco Control System and Computerised Brake System etc., which all await approval from the Railways, eventually translating into tenders.

The expansion plan at Nalagarh is almost over and the Commercial production has started for Air Brake Distributor Valve and Panel Mounted Brake System.

### **DIVIDEND**

Considering the Capital investment to be made for the expansion programme in near future and to conserve resources your Directors do not recommend a dividend for the year ended on 31st March, 2011.

### **ENERGY CONSERVATION**

Your Company has introduced certain Energy saving measures and re-engineering method in terms of utilization of factory and office spaces. Further, your Company continues to monitor and control the consumption of various sources of energy comprising power, oil, fuel, gas in a bid to reduce energy cost despite increase in production and power tariffs.

### **FOREIGN EXCHANGE EARNING AND OUTGO**

Your Company earned Rs.72.68 lacs foreign exchange during 2010-11 as against Rs.48.63 lacs during 2009-10. Foreign exchange outgo during the year amounted to Rs.432.51 lacs (including import of components and spare parts) against Rs.611.29 lacs during the previous year.

### **PERSONNEL**

Industrial Relations with employees at the various levels continued to remain harmonious and cordial. Your Company as a part of its Human Resources Development activity continued to train employees at all levels to enhance their effectiveness in contributing towards the overall goal of your Company through knowledge improvement and skill up-gradation.

A Long Term Agreement was settled and signed with the two recognized unions with a proviso to improve productivity by 15% and also the festival leave was reduced from 18 days to 14 days per year alongwith reduction in availment of earned leave by compulsory encashment of 7 days leave per year.

### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Indrajit Sen and Mr. Sukhendu Ray retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Ashwani Kumar Goswami was appointed by the Board of Directors of the Company with effect from 30th June, 2009 as a Director in casual vacancy caused by the death of Mr. S. Gupta. Your Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Ashwani Kumar Goswami for the office of Director.

All these Directors have filed requisite forms and declarations as required under the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003. The brief resume/details relating to Directors who are to be appointed/re-appointed are furnished in the Notice of the ensuing Annual General Meeting.

### **RESEARCH & DEVELOPMENT (R&D) ACTIVITIES**

The Company's own Research & Development Unit (R&D unit) always puts focus on continuous development of products and quality. Its emphasis is continuously to develop creative and innovative ideas in hi-tech engineering areas so that the efforts of R&D unit can yield substantial benefit for our customers and stakeholders and improve the sales and profitability of the Company.

As a result of sustained efforts, your Company's in house R&D unit has received Certificate of Recognition from the Government of India, Ministry of Science & Technology, Department of Scientific and Industrial Research (DSIR), New Delhi and is now registered with DSIR, New Delhi. As a result, your Company's R&D unit will receive substantial benefits in taxes and duties and be eligible for various grants from various Government agencies promoting R&D activities in India.

### **OTHER INFORMATION**

In accordance with the provisions of Section 217 of the Companies Acts, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules 1975, the names and other particulars of employees are set out on the annexure to the Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors Report is being sent to the shareholders of the Company excluding such particulars of employees under section 217(2A) of the Act.

## **DIRECTORS' REPORT (Contd.)**

The Annexure is available for inspection by the Members at the Registered Office of the Company during business hours on any working day upto the date of the ensuing Annual General Meeting. Any member interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

Form No. B pursuant to Section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosures 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.

In terms of amended provision of Clause 5 of the Listing Agreement with the Stock Exchanges, the first reminder has been sent to the shareholders by our Registrars.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of the requirements of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that;

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have 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 have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the Annual Accounts on a going concern basis; and
- (v) the Managing Director & CEO and the Sr. Vice President & CFO, both have furnished the necessary certification to the Board on these financial statements as required under the revised Clause 49 of the Listing Agreement(s) with the Stock Exchanges where the equity shares of the Company are listed.

### **DEMATERIALISATION OF SHARES**

Your Company's shares are under transfer-cum-demat option. Shares of your Company can be traded only in dematerialized form. You have the option to hold the Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL). 92.20% of the total equity share capital of your Company was held in dematerialized form with NSDL and CDSL as on 31st March, 2011.

### **CORPORATE GOVERNANCE**

Your Company has always practiced sound Corporate Governance and takes necessary measures to comply with the requirements of the Listing Agreements with the Stock Exchanges wherein your Company's shares are listed. A separate report on Corporate Governance adopted by the Company forms part of this report.

A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as also the Management Discussion and Analysis Report stipulated under Clause 49 of the Listing Agreement are attached to this report.

### **CODE OF CONDUCT**

Your Company has formulated Code of Conduct in compliance to the requirements of revised Clause 49 of the Listing Agreements with Stock Exchanges which has been posted in the Website of your Company. This Code of Conduct and Ethics applies to the Board members and Senior Management personnel of your Company. Confirmation towards adherence to the Code during the Financial Year 2010-11 has been obtained from all Board Members and Senior Management personnel in terms of the requirements of Clause 49 of the Listing Agreement and a declaration relating to compliance to this Code during the year under review by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

### **AUDITORS**

Messrs Lodha & Co, Chartered Accountants retire as Statutory Auditors of the Company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Audit Committee of Board of Directors and the Board of Directors of the Company have recommended the re-appointment of Messrs Lodha & Co., Chartered Accountants having Registration no. 301051E allotted by The Institute of Chartered Accountants of India as Statutory Auditors of your Company to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting. Messrs Lodha & Co. confirmed their eligibility and willingness to continue to act as Auditors of the Company for the Financial Year 2011-12, if re-appointed.

### **AUDITORS' REPORT**

The Board of your Company has noted the observations of the Auditors in their report. These have been dealt with adequately at the appropriate places in the notes to these accounts and therefore, do not call for further comments.

### **PUBLIC DEPOSITS**

Your Company has not accepted any Public Deposits.



## **DIRECTORS' REPORT** (Contd.)

### **SUBSIDIARY COMPANY**

The Stone Intermodal Private Limited is a Wholly Owned Subsidiary of the Company.

Of late, the Company has incorporated Stone Bio-Tech Private Limited as a Subsidiary of the Company to undertake business which inter alia includes Bio-technology business.

The statement pursuant to Section 212 of the Companies Act, 1956 containing details of Subsidiary Company forms part of the report.

As required under the Listing Agreement, the Consolidated Financial Statements of the Company together with its Subsidiary Company prepared in accordance with Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India are attached.

### **SOCIAL RESPONSIBILITY**

Your Company always promotes all round development of a pollution free environment. Safety and Environment performance has been integral to the business performance of your Company and continues to receive focus throughout the year.

### **PROMOTERS AND PROMOTERS GROUP COMPANIES**

Pursuant to intimation received from Promoters of your Company, the names of Promoters Companies comprising the "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969, have been disclosed elsewhere in this Annual Reports for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

### **FORWARD-LOOKING STATEMENTS**

This Annual Report and particularly those which relate to the Management Discussion and Analysis Reports contain statements which, to the extent they are not statements of

historical or present fact, constitute "forward-looking statements". From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "anticipate", "believe", "emerge", "estimate", "enjoy", "eventually", "expect", "guidance", "intend", "near future", "plans", "prospects", "project", "strategy", "target", "will", "would" and other words of similar meaning as they may relate to the Company and/or its business in connection with a discussion of future operating or financial performance. All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. The growth of the industry and business of the Company depend upon Government policies, global economic scenario etc., and any adverse/favourable situation may change outlook. Readers are therefore cautioned that such statements speak only of the situation as of their dates and hence actual performances or achievements could differ from those expressed or implied in such forward-looking statements. Your Company undertakes no responsibility to publicly or otherwise update or revise any such forward-looking statement at any time.

### **ACKNOWLEDGEMENT**

Your Directors take this opportunity to express their whole-hearted appreciation for the unstinted support and co-operation received from the Banks, Financial Institutions, Government, Indian Railways, Foreign Collaborators, Customers, Shareholders and other stake holders during the year under review. Your Directors also wish to place on record their appreciation for the services rendered by the employees at all levels in the Company and for their valuable contribution and look forward to their continued cooperation in the years ahead.

For and on behalf of the Board

Date : 5th August, 2011  
Place : Kolkata

**G. P. GOENKA**  
Chairman

**Report of the Directors (Continued)**  
**ANNEXURE TO THE REPORT OF THE DIRECTORS**  
**FORM 'B'**

**Form for disclosure of particulars with respect to Absorption, Research and Development (R&D)**

1. Specific area in which R&D carried out by the Company	Products for application on Railway Rolling Stock
2. Benefits derived as a result of the above R&D	Import substitution, development of new products, improvement of existing products and cost reduction.
3. Future plan of action	<b>Railway Items :</b> Development of - <ol style="list-style-type: none"> <li>1. Bogie Mounted Brake systems for Wagons</li> <li>2. Tread Brake unit for High Horse power Electric Locomotive</li> <li>3. Electronic Rectifier cum Regulator for Air conditioned Coaches</li> <li>4. Disc Brake systems for high speed coaches</li> <li>5. Air spring suspension system for Metro, EMU and Mainline Coaches.</li> <li>6. Static Converter of 180 KVA capacity for AC Locomotives</li> <li>7. End of Train Telemetry System</li> <li>8. Intelli Pantograph for dedicated freight corridor</li> <li>9. Air operated Pantograph for High Speed Passenger Trains</li> <li>10. WSP for Coaches and Locomotives</li> <li>11. Fault Diagnostic control System for Electric Locomotive</li> <li>12. Electronic Brake System for Locomotives</li> <li>13. Biogolical toilets for Coaches</li> <li>14. Control Discharge Toilet System for coaches</li> <li>15. Vigilance Control Device for Electric Locomotives</li> <li>16. LED based destination display board</li> </ol>
4. Expenditure on R & D	
(a) Capital	Rs. 203.64 Lacs
(b) Recurring	Rs. 93.21 Lacs
(c) Total	Rs. 296.85 Lacs
(d) Total R&D Expenditure as a percentage of total turnover	3.20%

**Technology absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	The Company makes continuous efforts for – <ol style="list-style-type: none"> <li>(i) adaptation and innovation of its product designs to meet the specification and changing requirements of its customers;</li> <li>(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</li> <li>(iii) upgradation of existing technology and/or importation of new technology through various foreign collaborations.</li> </ol>
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