Stone India

DUNCAN GOENKA

ANNUAL REPORT
2010 - 2011

CONTENTS

BOARD OF DIRECTORS

Chairman
G. P. Goenka

Managing Director & CEO
A. Mondal

Whole time Director
Shrivardhan Goenka

Directors
S. Ray
I. Sen
A. Agarwal
A. K. Goswami

BOARD COMMITTEES

Audit Committee

S. Ray	Chairman
I. Sen	Member
A. K. Goswami	Member
A. Mondal	Permanent Invitee

Shareholders'/Investors' Grievance Committee

S. Ray	Chairman
I. Sen	Member
A. Mondal	Member

Remuneration Committee

I. Sen	Chairman
G. P. Goenka	Member
S. Ray	Member
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
APPROPRIATIONS:		
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 Monetory 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 Diagonistic 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

G. P. GOENKA
Chairman

Date : 5th August, 2011
Place : Kolkata

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	**Railway Items** : Development of - 1. Bogie Mounted Brake systems for Wagons 2. Tread Brake unit for High Horse power Electric Locomotive 3. Electronic Rectifier cum Regulator for Air conditioned Coaches 4. Disc Brake systems for high speed coaches 5. Air spring suspension system for Metro, EMU and Mainline Coaches. 6. Static Converter of 180 KVA capacity for AC Locomotives 7. End of Train Telemetry System 8. Intelli Pantograph for dedicated freight corridor 9. Air operated Pantograph for High Speed Passenger Trains 10. WSP for Coaches and Locomotives 11. Fault Diagnostic control System for Electric Locomotive 12. Electronic Brake System for Locomotives 13. Biogolical toilets for Coaches 14. Control Discharge Toilet System for coaches 15. Vigilance Control Device for Electric Locomotives 16. LED based destination display board
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 – (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.

Report of the Directors (Continued)

ANNEXURE TO THE REPORT OF THE DIRECTORS

FORM 'B' *(Continued)*

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

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; and (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 during the last 5 years from the Financial Year 2005-06 are as follows :
(a) Technology imported	(i) For manufacturing of "Vaporid Air Dryers" as per technology obtained from WABTEC Corporation U.S.A. (ii) For manufacturing of "REL-10 Valve" as per technology obtained from MZT Hepos AD, Macedonia. (iii) For manufacturing of "Air Spring" as per technology obtained from Sumitomo Electric Industries Limited, Japan. (iv) For manufacturing of "Tread Brake Unit" as per technology obtained from MZT Hepos AD, Macedonia.
(b) Year of Import	(i) 2005-06, (ii) 2007-08, (iii) 2008-09, (iv) 2008-09
(c) Has technology been fully absorbed	(i) & (ii) – Yes (iii) & (iv) On progress
(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.	

For and on behalf of the Board

Date : 5th August, 2011
Place : Kolkata

G. P. GOENKA
Chairman

The below mentioned bodies Corporate constitute as "group" pursuant to inter-se transfer of shares amongst group Companies as per SEBI (substantial acquisition of shares and takeovers) Regulation, 1997 as at 31st March, 2011

1. Albert Trading Company Pvt. Ltd.
2. Andhra Cements Ltd.
3. Bargate Communications Pvt. Ltd.
4. Boydell Media Pvt. Ltd.
5. Continuous Forms (Calcutta) Ltd.
6. Duncans Industries Ltd.
7. Dail Consultants Ltd.
8. Duncans Agro Chemicals Ltd.
9. Duncans Tea Ltd.
10. Duncan Tea House Pvt. Ltd.
11. Gujarat Carbon & Industries Ltd.
12. Infratech Software Services Pvt. Ltd.
13. ISG Traders Ltd.
14. Julex Commercial Co. Ltd.
15. Kavita Marketing Pvt. Ltd.
16. Leyden Leasing & Financial Services Ltd.
17. Marleybone Travels & Resorts Pvt. Ltd.
18. Stone Solar Pvt. Ltd.
19. North India Fertilisers Limited
20. NRC Ltd.
21. Octave Technologies Pvt. Ltd.
22. Odyssey Travels Ltd.
23. Orchard Holdings Pvt. Ltd.
24. Pentonville Software Ltd.
25. Sewand Investments Pvt. Ltd.
26. Santipara Tea Company Ltd.
27. Shubh Shanti Services Ltd.
28. Silent Valley Investments Ltd.
29. Skylight Trading Co. Ltd.
30. Sprint Trading Co. Ltd.
31. Star Paper Mills Ltd.
32. Stone Intermodal Private Ltd
33. Unimers India Ltd.

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance.

THE COMPANY'S GOVERNANCE PHILOSOPHY

Good Corporate Governance is a structure and relationship which determine corporate direction and performance by sound management, transparency, accountability and fairness. The Corporate Governance framework should therefore encourage the efficient use of resources and equally, require accountability for the stewardship of those resources. The aim is to align as nearly as possible the diverse interests of individuals, corporations and society.

Stone India therefore believes that the key to achieve sustainable long-term growth of the Company as well as protecting the most important parties like, shareholders, directors, employees, management and other stakeholders of the Company is sound Corporate Governance. The concept of Corporate Governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors – both domestic and foreign. Global capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited or non-existent. Stone India acknowledges that the Company stands to gain by adopting systems that bolster investor trust through transparency, accountability and fairness.

The tide of regulation has risen to a high watermark and while there is compelling evidence of financial benefits to companies which adopt good governance practices, it has often been felt that the ethos of Corporate Governance still needs to sink in. Corporate irregularities continue to plague investors as regulators relentlessly strive to cleanse the system. Financial scandals often prompt an overhaul of regulation. But the efficacy of regulation can get negated when compliance becomes a box-ticking exercise with prohibitive costs. Again, there is no single model of good Corporate Governance. Principles, values and ethics cannot be typecast into a universal one-size-fits-all framework. Towards this end the company has a well laid out documents with respect to **"Code of Business Conduct & Ethics"** and **"Whistle Blower Policy"**. All employees abide by them in letter & spirit.

Stone India within its web of relationships with its borrowers, shareholders and other stakeholders has always maintained its fundamental principles of Corporate Governance – that of integrity, transparency and fairness. For Stone India, Corporate Governance is a continuous journey, seeking to provide an enabling environment to harmonise the goals of maximising shareholder value and maintaining a customer centric focus.

Stone India maintains that efforts to institutionalise Corporate Governance practices cannot solely rest upon adherence to a regulatory framework. Stone India's Corporate Governance compass has been its newly adopted business practices, its values and personal beliefs, reflected in the actions of each of its employees.

Stone India believes that while an effective policy on Corporate Governance must provide appropriate empowerment to the executive management, it must also create a mechanism of internal controls to ensure that the powers vested in the executive management are properly used with appropriate consideration and responsibility so as to fulfill the objectives of the Company.

The Board of Directors fully support and endorse Corporate Governance practices as per the provisions of the Listing Agreements as applicable from time to time

THE GOVERNANCE STRUCTURE

The Corporate Governance structure in Stone India is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees, comprising a majority of Independent Directors and chaired by an Independent Director to oversee critical areas.

BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all policy, statutory and other significant and material information are placed before the Board.

Composition of the Board

Stone India has a broad-based Board of Directors constituted in compliance with the terms of the Listing Agreement with the Stock Exchanges and in accordance with best practices in Corporate Governance. The Board of Directors of your Company comprises Executive and Non-Executive Directors, the latter includes independent professionals who are also Independent Directors.

In accordance with the Governance Policy, Non-Executive Directors are Promoters and eminent professionals with experience in business/finance/administration/laws/ management etc. Executive Directors are appointed/ re-appointed with the approval of the Shareholders for a period of three to five years or for a shorter duration as the Board deems fit from time to time. All Non-Executive Directors are liable to retire by rotation except the Chairman so appointed shall not be liable to retirement by rotation so long as the limits prescribe under Section 255(1) of the Act are complied with. One-third of the Directors retires by rotation every year and are eligible for re-election. In terms of the Articles of Association of the Company, the strength of the Board shall not be less than three and not more than twelve. The present strength of the Board of Directors is seven, of which two are Executive Directors.

The following is the composition of the Board as on 31st March, 2011:

Category	No. of Directors	Percentage of total no. of Directors
Non-Executive Directors & Promoter	1	14.29%
Non-Executive Independent Director	4	57.14%
Executive Directors	2	28.57%
Total	7	100.0%

Report of Corporate Governance *(Contd.)*

The Board is headed by the Non-Executive Chairman, Mr. G. P. Goenka, and comprises of six other Directors. Out of whom one is the Managing Director & CEO, another is the Whole time Director and rests are Non-Executive Directors. The Directors are eminently qualified and have rich experience in business, banking & finance, laws and corporate management. More than half of Board of Directors is "Independent". The Independent Directors do not have any pecuniary relationship or transaction with the Company, promoters or management, which may affect their judgments in any manner. The day-to day management of your Company vest with the Managing Director & CEO subject to the superintendence, control and directions of Board of Directors.

The policy formulation, evaluation of performance and the control function vest with the Board, while the Board Committee oversees operational issues. The Board meets at least once in a quarter to consider inter alia the quarterly performance of your Company and financial results. Directors attending the meeting actively participate in the deliberations at these meetings

The names of the Board members, their attendance at Board meetings and General Body meetings held during the financial year under review and the number of other Directorships and Board Committee memberships held by them at March 31, 2011 are given below:

COMMITTEES OF THE BOARD

Presently, there are three Committees of the Board – the Audit Committee, the Remuneration Committee and the Shareholders'/ Investors' Grievance Committee.

The terms of reference of the Board Committees are determined by the Board from time to time. Meetings of each Board Committee are convened by the Committee Chairman. Signed minutes of Board Committee meetings are placed at the next meeting of the Board of Directors for information. The respective role and composition of these Committees, including the number of meetings held during the financial year and the related attendance are provided below:

I. Audit Committee

The Audit Committee provides general direction and oversees the audit and risk management function in the Company. It carries out periodic review of accounting policies and internal control systems, reviews the quality of internal and management audit reports, ensures the reliability of financial and other management information and adequacy of disclosures; it also acts as an interface between the statutory and internal auditors and the Board of Directors.

The terms of reference of the Audit Committee are in line with Clause 49 II (C) and (D) of the Securities & Exchange Board of India prescribed Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

Name of the Board Member	Category [1]	Board Meetings attended out of 4 Meetings held during the year	Attendance at the last AGM held on 10th September 2010	Number of other Directorships [2]	Number of other Committee Memberships [3]
G. P. Goenka	C & NED & P	4	Present	7	–
S. Ray	NED & ID	4	Present	5	5 (2)
I. Sen	NED & ID	3	Absent	1	1
Srivardhan Goenka	ED & P	4	Present	10	1
A. K. Goswami	NED & ID	2	Absent	3	2(1)
A. Agarwal	NED & ID	–	Absent	1	–
A. Mondal	MD	4	Present	3	–

1 C: Chairman; MD: Managing Director; NED: Non-Executive Director P: Promoter; ID: Independent Director, ED: Executive Director.

2 Excludes alternate directorship and membership in committees other than Audit Committee, Shareholders'/ Investors' Grievance Committee, Remuneration Committee and other than Public Limited & Foreign Companies

3 Figures in brackets indicate other Committee Chairmanships.

Details of Board Meetings held during the financial year

During the Financial Year 2010-11, 4 (four) Board Meetings were held on 16th April, 2010, 14th July, 2010, 13th October, 2010 and 31st January, 2011 respectively.

The terms of reference of Audit Committee include the following:

- Overseeing Company's financial reporting process and the disclosure of its financial information.
- Recommending appointment or removal of the external auditors, fixing of audit fees and approving payments for any services.
- Reviewing with the management the quarterly and annual financial statements with primary focus on:

Report of Corporate Governance *(Contd.)*

a) Matters to be included in the Directors' Responsibility Statement comprised in the Board Report in terms of Section 217(2AA) of the Companies Act, 1956.
b) Accounting Policies and Practices.
c) Compliances with Accounting Standards
d) Accounting- based on exercise of judgment by Management.
e) Qualifications in the Draft Audit Report.
f) Compliance with listing and other legal requirements concerning Financial Statements
g) Significant adjustments arising out of audit.
h) Reviewing utilization of Funds raised through issue of Warrants/Shares/Debentures
i) The going concern assumptions
j) Related party transactions
k) Other matters as specified for Audit Committee in Section 292A of the Companies Act, 1956.

- Reviewing with the management, external and internal auditors the adequacy and compliance of internal control systems.
- Reviewing company's financial and risk management policies.
- Reviewing the internal audit function and reports and major findings of the Internal Auditors and follow up action.
- Pre-audit and post-audit discussion with the Statutory Auditors to ascertain any area of concern.

The Audit Committee comprises of three Non-Executive Directors, all of them being Independent Directors. The Members are Mr. S. Ray, Mr. I. Sen and Mr. A. K. Goswami. Mr. S. Ray is the Chairman of the Committee. All the members of the Committee are financially literate and have accounting and financial management expertise. The Managing Director, the Chief of Finance and the Statutory Auditors are permanent invitees to the Audit Committee.

The Company Secretary acts as Secretary to the Committee.

During the Financial Year ended 31st March, 2011, four meetings were held. The dates of such meetings, composition and the attendance of the members are furnished below:-

Serial No.	Date of Committee Meeting	Attendance record of the Members		
		S. Ray	I. Sen	A. K. Goswami
1.	14th April, 2010	Attended	Attended	Absent
2.	14th July, 2010	Attended	Attended	Attended
3.	13th October, 2010	Attended	Attended	Attended
4.	31st January, 2011	Attended	Attended	Absent
	Number of meetings held during the member's tenure	4	4	4
	Number of meetings attended by the member	4	4	2

II. Remuneration Committee

The Remuneration Committee comprises of four Non-Executive Directors, three of whom are Independent Directors. The members are Mr. I. Sen., Chairman of the Committee, Mr. G. P. Goenka, Mr. S. Ray and Mr. A. Agarwal, Members.

The terms of reference of Remuneration Committee in brief consists of the following:

To determine on behalf of the Board of Directors and on behalf of the shareholders, the Company's policies on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

The Committee approves:

- All elements of remuneration package of all the Directors i.e. salary, benefits, bonuses, stock options, pension etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.

During the Financial Year 2010-11, no Remuneration Committee Meeting was held.

Payment of remuneration to the Managing Director and Whole time Director are governed by statutory guidelines and the Company's Service Agreements with them, the terms and conditions of which were approved by the Remuneration Committee (wherever applicable), the Board and the Shareholders. The remuneration structure mainly comprises of salary, commission, performance bonus, perquisites and allowances etc. The Non-Executive Directors do not draw any remuneration from your Company other than sitting fees for attending the Meetings of the Board and its Committees. The fees are determined by the Board from time to time within the statutory guidelines.

A. Details of remuneration of the Managing Director & CEO and Whole time Director for the

Financial Year ended 31st March, 2011 is as under:

(Rs. in Lacs)

Director	Salary	Perquisites	Total
A Mondal Managing Director & CEO	106.24	2.78	109.02
Shrivardhan Goenka Whole time Director	32.00	–	32.00

(There were no stock options during the Financial Year ended on 31st March, 2011)

Report of Corporate Governance *(Contd.)*

B. Details of sitting fees paid during the year 2010-11 to the existing Non-Executive Directors as on 31st March, 2011 are given below:

Directors	Sitting Fees		
	Board Meeting	Committee Meeting	Total
G. P. Goenka	20,000/-	–	20,000/-
S. Ray	20,000/-	70,000/-	90,000/-
I. Sen	15,000/-	20,000/-	35,000/-
A. Agarwal	–	–	–
A. K. Goswami	10,000/-	10,000/-	20,000/-

III. Shareholders'/Investors' Grievance Committee

The Board constituted a Shareholders'/Investor's Grievance Committee in accordance with the requirements of the Listing Agreement.

The Shareholders' / Investors' Grievance Committee comprises of Mr. S. Ray, Chairman, Mr. I. Sen and Mr. A. Mondal, members. The Committee meets almost every month.

Name and designation of Compliance Officer : Mr. Debabrata Thakurta, Company Secretary.

Brief description of terms of reference of the Shareholders' / Investors' Grievance Committee:

The Committee

(i) approves and monitors transfers, transmission, rematerialisation, sub-division and consolidation of securities in physical form and issue of new and duplicate Share Certificates by your Company, and

(ii) looks into various issues relating to shareholders/investors, including redressal of their complaints regarding transfer of shares in physical form, non-receipt of Balance Sheets, Dividends etc.

No. of Shareholders complaints received during the Financial Year 2010-11	6
No. of complaints resolved to the satisfaction of Shareholders as on 31st March, 2011	6
No. of pending share transfers as on 31st March, 2011	Nil

GENERAL BODY MEETINGS

Location and time where last three AGMs were held :

AGM	Year	Venue	Date	Time	Special Resolution	Postal Ballot
78th	2007-08	Kalakunj Hall (Basement), Kalamandir 48, Shakespeare Sarani, Kolkata 700 017	29/08/08	11.30 AM	Yes	No
79th	2008-09	Bharatiya Bhasha Parisad 36-A Shakespeare Sarani Kolkata – 700 017	11/09/09	10.30 AM	No	No
80th	2009-10		10/09/10	10.30 AM	No	No

No Extra-ordinary General Meeting was held during the Financial Year.

No special resolution was passed last year through postal ballot.

At present your Company does not have any resolution to be decided by the Members by postal ballot.

Most of the resolutions were passed through show of hands.

DISCLOSURES

(a) **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:**

Save and except what has been disclosed under Item No. B(11) of Schedule 19 of the Notes to the Accounts, forming part of the Accounts of your Company for the year ended 31st March 2011, there was no materially significant related party transaction, which may have potential conflict with the interests of your Company at large.

(b) **Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:**

<u>Compliance</u>

Your Company has complied with all the requirements including the provisions of Clause 49 of the Listing Agreements with Stock Exchanges as well as regulations and guidelines of SEBI. Consequently no penalties were imposed or strictures passed against the Company by SEBI, Stock Exchanges or any other Regulatory Authorities during last three years.

(c) **Whistleblower Policy**

SCOPE :

This policy applies to all Stone India employees, including part time, temporary and contract employees.

PURPOSE :

Stone India Limited is committed to the highest possible standards of ethical, moral and legal business conduct. In line with this commitment, this policy aims to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistle blowing in good faith.

POLICY :

The whistleblower policy is intended to cover serious concerns that could have a large impact on Stone India Limited, such as actions that:

- May lead to incorrect financial reporting;
- Are unlawful;
- Are not in line with company policy, including the Code of Conduct;
- Otherwise amount to serious improper conduct.

Report of Corporate Governance *(Contd.)*

SAFEGUARDS:

Harassment or Victimization

Harassment or victimization of the complainant will not be tolerated.

Confidentiality

Every effort will be made to protect the complainant's identity.

Anonymous Allegations

The policy encourages employees to put their names to allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information is identified. Concerns expressed anonymously will be investigated, but consideration will be given to:

- The seriousness of the issue raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

Malicious Allegations

Malicious allegations may result in disciplinary action.

PROCEDURE :

Process For Raising A Concern

Reporting

The whistle blowing procedure is intended to be used for serious and sensitive issues.

Serious concerns relating to financial reporting, unethical or illegal conduct, should be reported in either of the following ways:

Directly to Mr. A. Mondal, Managing Director & CEO at (033)2401 4661-668 (8 Lines) or by E-Mail at mondalamit@stoneindia.co.in

Mailing address alternative for written documents:

Stone India Limited
16, Taratalla Road,
Kolkata 700088.

Employment-related concerns should continue to be reported through your normal channels such as your supervisor or the Manager – H.R. & Administration

Timing

The earlier a concern is expressed, the easier it is to take action.

Evidence

Although the employee is not expected to prove the truth of an allegation, the employee needs to demonstrate to the person contacted that there are sufficient grounds for concern.

How the complaint will be handled

The action taken will depend on the nature of the concern. The Audit Committee of the Board of Directors of Stone India Limited receives a report on each complaint and a follow-up report on actions taken.

Initial Inquiries

Initial inquiries will be made to determine whether an investigation is appropriate, and the form that it should take. Some concerns may be resolved by agreed action without the need for investigation.

Report to Complainant

The complainants will be given the opportunity to receive follow-up on their concern in two weeks:

- Acknowledging that the concern was received;
- Indicating how the matter will be dealt with;
- Giving an estimate of the time that it will take for a final response;
- Telling them whether initial inquiries have been made;
- Telling them whether further investigations will follow, and if not, why not.

Further Information

The amount of contact between the complainant and the body investigating the concern will depend on the nature of the issue and the clarity of information provided. Further information may be sought from the complainant.

Information

Subject to legal constraints the complainant will receive information about the outcome of any investigations.

The Company affirms that no personnel has been denied access to the Audit Committee

Stone India Limited reserves the right to modify or amend this policy at any time as it may deem necessary.

(d) **LIST OF MANDATORY ITEMS OF CLAUSE 49 OF THE LISTING AGREEMENT**

Sl. No.	Compliances	Remarks
1.	A brief statement on Company's Philosophy on Code of Governance	Complied
2.	Stipulations regarding Board of Directors	Complied
3.	Stipulations regarding Audit Committee	Complied
4.	Stipulations regarding Remuneration Committee	Complied
5.	Stipulations regarding Shareholders Committee	Complied
6.	Stipulations regarding General Body Meetings	Complied
7.	Stipulations regarding Disclosures	Complied
8.	Stipulations regarding means of Communication	Complied
9.	Stipulations regarding General Shareholders Information	Complied

Report of Corporate Governance *(Contd.)*

LIST OF NON-MANDATORY ITEMS OF CLAUSE 49 OF THE LISTING AGREEMENT

Sl. No.	Compliances	Remarks
1.	Stipulations regarding the Board	Will be adopted
2.	Stipulations regarding Remuneration Committee	Adopted
3.	Stipulations regarding Shareholder Rights	Being adopted
4.	Stipulations regarding Audit Qualifications	Being adopted
5.	Training of Board Members	Partly completed
6.	Mechanism for evaluating non-executive Board Members	Being adopted
7.	Whistle Blower Policy	Adopted

(e) No equity share and Convertible Instrument were held by Non-Executive Directors as on 31st March, 2011.

CEO/CFO CERTIFICATION

The Managing Director & CEO and the Chief Financial Officer have certified to the Board that:

(a) They have reviewed the financial statements and the cash flow statement for the year 2010-11 and that to the best of their knowledge and belief :

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year 2010-11 which are fraudulent, illegal or violative of the Company's code of conduct.

(c) They accept responsibility for establishing and maintaining internal controls and they have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) They have indicated to the auditors and the Audit Committee:

(i) Significant changes in internal control during the year;

(ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

The Managing Director & CEO has given a Declaration to the effect that all Board Members and Senior Management personnel have confirmed compliance with the Code of Conduct during the Financial Year ended on 31st March, 2011.

STONE CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

Stone Code of Conduct for prevention of Insider Trading inter alia prohibits purchase/ sale of securities of the Company by the Directors & Designated Employees while in possession of unpublished price sensitive information.

MEANS OF COMMUNICATION

(a) Quarterly Audited Results including the Half-yearly Results and the Annual Audited Results were published in The Business Standard, Kolkata & all editions, The Economic Times, Kolkata, The Times of India, Kolkata, Dainik Statesman, Kolkata, Aarthik Lipi, Kolkata and Aajkal, Kolkata;

(b) The Company has a Website, the address of which is www.stoneindia.co.in. The site gives various useful information relating to corporate, products etc. A separate section has been provided dedicated to Investors and Shareholders;

(c) During the year your Company displayed official news releases from time to time. From time to time company has made formal presentations to Bankers, institutional shareholders and analysts;

(d) The Management Discussion and Analysis Report forms an integral part of this Annual Report to the shareholders of the Company.

Report of Corporate Governance *(Contd.)*

GENERAL SHAREHOLDER INFORMATION

(a) **Annual General Meeting :**

Date and Time : 26th September, 2011 at 11.00 A.M.

Venue : 'Kalakunj'(Besement) Hall, Kalamandir 48, Shakespeare Sarani, Kolkata - 700 017

(b) **Financial Calendar (2011-12):**

The Financial Year of your Company is April to March. Publication of Results will be as follows (tentative):

Period	Approval by the Audit Committee & Board of Directors
First Quarter ending June 30, 2011 (Audited)	By 1st Week of August, 2011
Half-Year ending September 30, 2011 (Audited)	October, 2011
Third Quarter ending December 31, 2011 (Audited)	January, 2012
Year ending March 31, 2012 (Audited)	April, 2012
AGM for the year ending March 31, 2012	September, 2012

(c) **Book Closure date :**

The dates of Book Closures are from 19th September, 2011 to 26th September,2011 inclusive of both days.

(d) **Dividend Payment date :**

Considering the overall situation of your Company, the Directors have not recommended any Dividend for the year ended 31st March, 2011.

(e) **Listing :**

Your Company's Shares are listed on Calcutta Stock Exchange and The Stock Exchange, Mumbai. The Stock codes assigned to the Company's shares at the above Stock Exchanges are as follows:

Sl. No.	Stock Exchange	Stock Code
1.	The Calcutta Stock Exchange Ltd., 7, Loyns Range Kolkata-700 001	029963
2.	Bombay Stock Exchange Limited New Trading Ring, Rotunda Bldg. 1st Floor, P.J. Towers, Dalal Street Fort, Mumbai - 400 001	522085

Note : Payment of Annual Listing Fees to all the above Stock Exchanges are up-to-date.

(f) **Stock Price Data :**

The table herein below gives the monthly high and low prices of the company's shares traded at the Stock Exchanges both at Calcutta and Mumbai for the year ended 31st March, 2011.

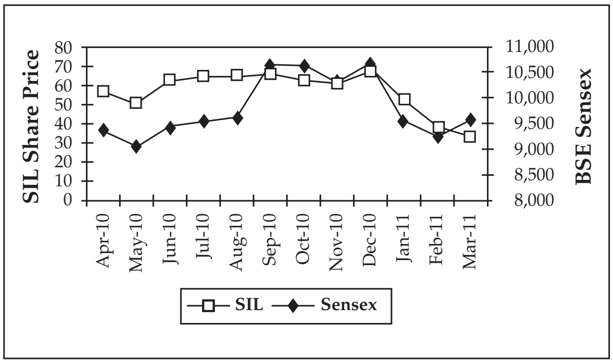
(in Rs.)

Month	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2010	59.95	54.50	N.T.	N.T.
May 2010	57.30	46.00	N.T.	N.T.
June 2010	65.75	47.25	N.T.	N.T.
July 2010	68.80	59.35	N.T.	N.T.
August 2010	71.00	61.25	N.T.	N.T.
September 2010	71.95	63.15	N.T.	N.T.
October 2010	72.50	62.45	N.T.	N.T.
November 2010	75.00	56.00	N.T.	N.T.
December 2010	70.80	48.15	N.T.	N.T.
January 2011	72.00	51.15	N.T.	N.T.
February 2011	54.40	36.60	N.T.	N.T.
March 2011	39.90	31.00	N.T.	N.T.

N.T. : No Tramsaction

Report of Corporate Governance *(Contd.)*

(g) The chart herein below shows the comparison of your company's share price movement vis-à-vis the movement of the B.S.E. Sensex.



(h) **Registrar and Share Transfer Agent**

C.B.Management Services (P) Limited
Unit – Stone India Limited
P-22, Bondel Road
Kolkata – 700 019
Tel No. (033) 40116700-11/40116718/40116723
2280 6692- 94 / 2282 3236-38/3643
Fax No. (033) 2287 0263
Email No. rta@cbmsl.com/cbmsl1@ cal2.vsnl.net.in

(i) **Share Transfer System:**

The share transfers in physical form are at present processed and the Share Certificates are returned, duly transferred in favour of transferees, subject to all the documents being in order. Share Transfers under objection are returned immediately. The Shareholders'/Investors' Grievance Committee of the Board of Directors meets almost every month to timely consider the transfer proposals in physical form.

(j) **Distribution of Shareholders Holdings**

The tables herein below give the distribution pattern of shareholding of the Company as on 31st March, 2011

I **Distribution of Shareholding Pattern by ownership:**

Category	No. of Shares held	Percentage of Share-holding
A. Promoter's holding		
1. Promoters'		
– Indian Promoter	22,64,054	29.81
– Foreign Promoters	–	–
2. Persons acting in concert	2,20,500	2.90
Sub Total	24,84,554	32.71
B. Non-Promoters Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	573	0.01
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/non-Government Institutions)	1,06,172	1.40
c. Foreign Institutional Investors	—	—
Sub Total	106,745	1.41
4. **Others**		
a. Private Corporate Bodies	6,08,129	8.00
b. Indian Public	40,99,096	53.96
c. NRIs/OCBs	1,99,570	2.63
d. Any other (specify) :		
i) Clearing Members/ Corporate	98,405	1.29
Sub Total	50,05,200	65.88
GRAND TOTAL	**75,96,499**	**100.00**

II. **Distribution of shareholding by number of shares held :**

No. of Shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	12,946	90.22	16,64,271	21.91
501 to 1000	792	5.52	6,30,443	8.30
1001 to 2000	309	2.15	4,61,172	6.07
2001 to 3000	104	0.72	2,73,722	3.60
3001 to 4000	41	0.29	1,44,090	1.90
4001 to 5000	41	0.29	1,94,735	2.56
5001 to 10000	63	0.44	4,62,218	6.09
10001 and above	53	0.37	37,65,848	49.57
Total	**14,349**	**100.00**	**75,96,499**	**100.00**

(k) **Auditors' Certificate on Corporate Governance**

As required under clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of the Corporate Governance norms is attached

(l) **Dematerialisation of Shares**

Your company's Shares are under transfer-cum-demat option. The Shareholders 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).

At present 92.20% of the Company's Shares are held in electronic form and the Company's Shares can only be traded in compulsory demat segment in the Stock Exchanges.

Report of Corporate Governance *(Contd.)*

(m) **Address for correspondence with the Company**

The Company attended to all Investor's grievances/queries/ information requests and had replied to all letters received from the Shareholders within a week of receipt thereof.

All the correspondences may please be addressed to the Registrar and Share Transfer Agent, M/s. C. B. Management Services (Pvt) Limited.

In case any Shareholder is not satisfied with the response or do not get any response or within reasonable period from the Registrar and Share Transfer Agent, they shall approach to the Compliance Officer at the Registered Office of the Company.

Registered Office :

STONE INDIA LIMITED
16, Taratalla Road
Kolkata 700 088
Tel No. (033) 2401 4661 – 4668 (8 Lines)
Fax.No. (033) 2401 4886
Email No. info@stoneindia.co.in

The Shareholders can also lodge their complaint directly at the website of the company at www.stoneindia.co.in. There is an on line Investor Complaint form under Investor Relation Menu.

(n) Along with this Annual Report we have enclosed a Shareholder's Response Form. You may kindly complete the same & return it to us. Your suggestion will help us to serve you better in future. Alternatively you can also complete the on-line form available in our website under Investor Relations Menu.

(o) **Demat ISIN Number in NSDL & CDSL:**

INE290C01015

(p) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity:**

Not applicable

(q) **Plant Location:**

STONE INDIA LIMITED
16, Taratalla Road
Kolkata 700 088

STONE INDIA LIMITED
182, Guru Majra
Baddi Nalagarh Road
Baddi, Tehsil Nalagarh
District Solan, Himachal Pradesh

For and on behalf of the Board

16, Taratalla Road,
Kolkata 700 088.
5th August, 2011

G. P. GOENKA
Chairman

Report of Corporate Governance *(Contd.)*

MANAGEMENT DISCUSSION AND ANALYSIS REPORT for the year ended 31st March 2011

1 **Industry Structure and Developments :**

GDP growth of Indian economy during the financial year 2010-11 was @ 8.6%. Considering this growth of GDP during the financial year 2010-11 the market demand for the products of your company showed a healthy growth trend. During the year under review the company was able to book substantial orders for 4.5 KW Alternators, 25 kw Alternators, AM-12 as well as AM-92 Pantographs, Panel Mounted Brake System for Electric Locomotive from both OEMs as well as from Zonal Railways, Tread Brake Units, Air Dryers for Diesel Locomotives, Slack Adjusters, Wagon Airbrakes as well as Cast Iron Distributor Valves.

In the new products category orders worth Rs. 3.30 crores was booked for supply of Air Operated Patographs, Air Springs, TBUs, Failure Indication cum Brake application Valve as well as for Control Discharge Toilet. The company also received the second repeat Order for CDTS (Control Discharge Toilet System) from RCF/Kapurthala.

We are also pleased to announce that Company has received the prestigious Order for 38 Nos. Air Operated Pantographs from Chittaranjan Locomotive Works, Chittaranjan against stiff competition from multinational sources.

Your Company bagged orders worth Rs. 99.50 crores during the year. While the company received the price increases for few product there was substantial price drop for Pantograph due to severe competive pressure.

2. **Opportunities & Threats :**

2.1. **Opportunities :**

Your company recorded an impressive order booking for Panel Mounted Brake System for Electric Locos. The company received Order for 204 Nos. Panel Mounted Brake System for Electric Locos for OEM requirement of CLW as well as for Railways retrofitment programme for fitment of Tri-Plate Panel Mounted Brake System in Electric Locos for existing Locos. Indian Railways have taken a major decision for retrofitment of Panel Mounted Brake System for all Electric Locos which will undergo periodical overhauling at the end of 8 years period.

It is expected that demand of such Panel Mounted Brake System will increase over the period of next 2 to 3 years as CLW has also geared up their Locomotive production. In order to satisfy this overall requirement of Panel Mounted Brake System for Electric Locos, company has initiated exercise to register Nalagarh Unit also for supply of Electric Loco Panel, Panel Mounted Brake System.

During the year company also received Order for 122 Nos. Panel Mounted Brake System for Diesel Locomotives and commercial supplies have been made from the Nalagarh Unit.

During the year company received Orders for 295 Nos. AM-12 Pantograph and 135 Nos. AM-92 Pantographs. Company also reregistered an impressive Order booking for 956 Nos. 4.5 KW Alternators and 349 Nos. 25 KW Alternators.

2.2. **Threats :**

There was severe competitive price pressure from local competitors particularly for Pantographs for Freight Locomotives.

Further one MNC competitor have also started under quoting the price for Dual Voltage AC DC Pantographs. This will reduce the operating margins for the Pantographs substantially in the next financial year.

The Slack Adjuster business for the OEMs i.e. for Wagon Builders is going to reduce substantially in the coming years as Railways have switched over to Bogie Mounted Brake System for 4 major type of Wagons. While the company is in the process of developing Bogie Mounted Brake System but it will take another 24 months time to get the full approval from Railways after the extensive trial in the field.

In view of DLW switching over gradually to bulk production of EMD Locomotives the demand of Panel Mounted Brake system for Diesel Locos will substantially reduce in the coming financial years though there will be slight improvement of business of Conventional Panel Mounted Brake System from Diesel Loco Modernisation Works, Patiala.

In addition to above the non-waiver of Liquidated Damages by Finance and Stores Directorate of Indian Railways for all orders were there have been certain defaults of delivery schedule will create a dent in the margin of the company.

In view of current dwendling fund situation of Indian Railways we may expect fund crunch at the end of the quarters which may affect from the operation of the company.

3. **Segmentwise or productwise performance :**

The company's operations fall under a single segment and hence segmental reporting as defined in Accounting Standard 17 is not applicable. For the financial year 2010-11 following are the performance figures for our main products.

3.1. **Railway Products :**

a) **Train Lighting Alternators :**

The market share obtained to the level of 22% for 4.5 KW and 20% for 25 KW Alternators. Prices for both the varieties have improved substantially.

b) **Critical Loco Brake Valve :**

Market share retained at 50%. Prices were increased about 7 to 8%.

c) **Air Brake Wagon & Coaches:**

The market share for Freight Wagon for Air Brake was maintained around 20% and market share of Coach Air Brake maintained about 15%.

Report of Corporate Governance *(Contd.)*

Most of the Orders were booked with not very attractive prices.

d) **Pantographs:**

Market share maintained at 50%. There has been severe undergoing of prices of freight pantograph in 3rd and 4th quarter of the company.

e) **Slack Adjusters:**

Market share maintained at 50% to 55%. Price level maintained with the moderate increase of 7% to 8%,

f) **Panel Mounted Brake for Locomotive:**

Market share maintained at 50%. Price level maintained.

g) **Rolling Stock Spares business:**

The level of Spares business volume was increased for all product with the increase in Pantograph Spares, Alternator Spares as well as Loco Brake Valve Spares business. However there was drop in Air Brake spares business due to competitive pressure from small scale manufacturers.

h) **Air Dryers:**

Company booked Orders of 426 Nos. Air Dryers.

4) **Outlook :**

As explained earlier your company expects growth in demand for most of the product in the coming years to match the demand of Production Units of Indian Railways. All Production Units of Indian Railways have been given higher production target for Locomotives, Coaches as well as for EMUs compared to the year 2010-11. It is expected that the Wagon production will be maintained around 16000 to 18000 Wagons in the financial year 2011-12.

Further BHEL/Jhansi Unit has commenced manufacture of approx. 50 Electric Locos per year from the year 2009-10 will help the company to consolidate the business of Electric Loco Panel Mounted Brake System, critical Loco Valve for Electric Loco, Pantograph for Electric Loco as well as for Air Dryers for Electric Locos.

5. **Risks and Concerns :**

As explained earlier there has been erosion of margin due to underquoting of prices of Pantographs by the competitors. It is expected that this can be offset with the gradual switch over to new design of Air Operated Pantographs.

6. **Internal Control Systems and their adequacy:**

The company has a well structured Internal control mechanism and the same is monitored by the internal audit conducted by an external professional audit firm, which independently reviews and strengthens the control measures. The internal audit team regularly briefs the Management and the Audit Committee on their findings and also on steps to be taken with regard to deviations, if any.

7. **Discussion on Financial Performance with respect to Operational Performance :**

Particulars	2010-2011	2009-2010
Total Income (Rs. in lacs)	**9262.65**	9457.85
Sales (Rs. in lacs)	**9144.47**	9400.53
Profit after Taxation (Rs. in lacs)	**455.90**	440.69
Net Cash Flow from Operation (Rs. in lacs)	**589.66**	264.63
Basic EPS (Rs. Per Share)	**6.00**	5.80

Note: Previous year figures have been regrouped and rearranged wherever necessary.

8. **Business Development :**

During the year Company has been able to bag a repeat Order for 56 Sets of CDTS (Control Discharge Toilet System) from Indian Railways. The prototype system has been developed in-house and have been supplied to RCF/Kapurthala which is in advanced stage of fitment. On completion of these two advanced orders we expect further regular repeat Orders for this system which will lead to substantial improvement to the top line of the Company.

Your company has introduced a new concept of Biological Toilet System in Indian Railways. This system converts human waste into pure water and 8 such Toilets fitted with the Coaches are under trial since May 2009. RCF has floated a major tender in the last financial year which has been quoted by the company. However RDSO is yet to complete the technical evaluation of this toilet tender so far.

During the year company has completed supply of 13 Sets of FDCS (Fault Diagnostic Control System) to CLW. All the 13 systems have now been installed and they are under service trial. It is expected that company will soon be upgraded to Part – II status to become a regular supplier of this critical item for Electric Locomotives.

As regards Air Spring, Company's product for both EMU application as well as for Main Line application are under service trial and major enquiries are expected in the current financial year i.e. in 2011-12 after the successful trial of FIBA Valve (Failure Indication and Brake Valve) is completed.

Company has received an Order for 20 Coach Sets of FIBA Valve (Failure Indication and Brake Valve) and company has received the prototype approval of the same. Company is expecting to supply these items by 2nd quarter of 2011-12. Further enquiries from RCF are expected very soon.

During the year company has received a Developmental Order for 38 Nos. Air Operated Pantographs from CLW against stiff international competition from MNCs. The design and development for the same is under progress and company expects that prototype will be delivered by 2nd/3rd quarter of 2011.

Company has received the first Developmental Order for EMU Brake System of total 9 Coaches (3 Motor Coaches and 6 Trailor Coaches) from ICF/Chennai. The design and drawing approval are under process and we expect that company would be able to supply the prototype system around 3rd/4th quarter in 2011-12.

Report of Corporate Governance *(Contd.)*

Indian Railways have already decided to manufacture more EMU Coaches to cater to the need of the increase in the population in suburbs of main cities. It is expected that this product will lead to further growth of the business for the company.

Company has received the first Developmental Order for 2 Nos. VCDs for Electric Locos from Indian Railways and prototype has since been approved by RDSO/Lucknow. The bulk supplies will be made to CLW/Chittaranjan in the first quarter of 2011-12.

Indian Railways have decided to assemble VCDs for the newly manufactured Locomotives as well as to retrofit the same in the existing Electric Locomotives. Company expects good business for this product in the near future.

Company signed a MoU with M/s NRT of South Korea for introduction of Platform Screen Door System for Metro/Mono Rail project in India. This product has substantially embarked potential in Indian Railways as well as in Global Urban Rail. Company is actively pursuing this product for introduction in the major Metro Projects.

Company is also developing LED based destination display and passenger information system for the Passenger Coaches.

9. **Material Developments in Human Resources/Industrial Relations Front, including number of people employed:**

Your company lays significant importance for all round development of its Human Resources with special emphasis to train the employees at all level to enhance their effectiveness in their contribution to the overall performance of the company through skill up-gradation, knowledge improvement and attitudinal change. These enable the employees at all levels to cope with the competitive environment through which the company is passing at present and to achieve the desired corporate objective. Regular training programme are organized in order to improve the skill of the existing employees by improving their domain knowledge as well as their attitude and behaviour.

Your company is further improving on the performance management process system, which identifies the Key Result Areas (KRAs) for employees at different management levels. The KRAs are designed to ensure the overall alignment of individual and group performance with the company's business and growth strategy. The process identifies training and development needs of employees and develops career tracks for high performers.

The industrial relations climate in your company continued to remain harmonious and cordial. Various welfare measure and recreational activities are also being continued side-by side of production to maintain such relations.

This year we have completed the Long Term Settlement with the workmen.

Your company had 392 employees on the roll at the end of the year under review as against 397 had in last year.

AUDITORS' CERTIFICATE

To the members of Stone India Limited

1. We have examined the compliance of the conditions of Corporate Governance by Stone India Limited for the year ended 31st March 2011 as stipulated in clause 49 of Listing Agreement of the said company with Stock Exchanges in India.

2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statement of the company.

3. In our opinion and to the best of our information and explanations given to us and representations made by the Directors and the management except as given in para 4 below, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

4. The framework of Risk Management and its controls are yet to be defined.

5. We further report that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Lodha & Co.**
Chartered Accountants
Firm ICAI Registration No. : 301051E

Place : 14 Government Place East
Kolkata

H. S. Jha
Partner
Membership No. 55854

CODE OF CONDUCT FOR BOARD MEMBERS & SENIOR MANAGEMENT PERSONNEL

Declaration by the Chief Executive Officer (CEO)

It is hereby declared that the Board Members & Senior Management personnel of the Company have confirmed compliance with the Code of Conduct as applicable to the Board Members & Senior Management Personnel for the financial year ended on 31st March 2011.

For **STONE INDIA LIMITED**

(A. MONDAL)
MANAGING DIRECTOR & CEO
Date 2nd May, 2011

Chief Executive Officer (CEO) and Chief Financial Officer (CFO)
Certification as per clause 49 of the Listing Agreement

2nd May 2011

To
The Board of Directors
Stone India Limited
16, Taratalla Road
Kolkata 700 088

Dear Sirs,

(a) We have reviewed the financial statements and the cash flow statement for the year 2010-11 and do certify that to the best of our knowledge and belief :

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be mislesding ;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2010-11 which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify the deficiencies.

(d) We have indicated to the auditors and the Audit Committee:

(i) Significant changes in internal control during the year,

(ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statement ; and

(iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Thanking you,

Yours faithfully,
For **STONE INDIA LIMITED**

(A. MONDAL)
MANAGING DIRECTOR & CEO

Yours faithfully,
For **STONE INDIA LIMITED**

(S. GOSWAMI)
SR. VICE-PRESIDENT & CFO

Ten Years at a Glance

(Rs. in Lacs)

Particulars	**2010-11**	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Order received	**9950.16**	9501.73	8,711.09	9,574.25	8,083.15	6,207.51	4,808.69	3,132.47	2,647.88	2,529.01
Sales (Net)	**9144.47**	9400.53	8,042.18	7,911.17	7,068.42	5,300.78	4,030.95	3,000.14	2,950.43	2,649.30
Profit before Tax	**615.37**	561.17	(757.13)	1,076.15	820.92	870.11	238.55	(895.80)	47.94	74.80
Earning per Share (Rs.)										
— Basic	**6.00**	5.80	(11.33)	11.92	10.57	11.07	3.04	(11.89)	1.81	0.55
— Diluted	**6.00**	5.80	(11.33)	11.92	10.36	10.96	2.70	(11.89)	1.78	—
Dividend per Share (Rs.)	—	—	—	1.25	1.25	1.00	—	—	—	—
Net Asset Employed										
Fixed Assets at Cost	**6322.63**	6616.03	6,509.64	5,815.53	5,766.24	2,975.08	2,799.72	2,826.87	2,837.87	2,956.38
Current Assets (Net)	**2834.77**	2350.04	1,625.02	2,837.02	2,560.53	3,646.86	2,727.96	2,545.74	3,267.39	3,111.58
Deferred Revenue Expenditure	—	—	—	—	—	—	—	—	—	—
Deferred Tax Assets (Net)	—	—	—	86.23	122.94	—	—	—	—	(88.07)
Profit & Loss Account (Dr Bal)	—	—	—	—	—	—	255.11	363.62	—	—
Net Assets Employed	**9157.40**	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79	5,736.23	6,105.26	5,979.89
Financed by										
Share Capital	**760.33**	760.33	760.33	760.33	899.08	899.08	753.58	753.58	753.58	753.58
Reserves	**3062.39**	3102.53	2,762.36	3,274.21	3,795.21	2,288.24	1,820.51	1,984.73	2,561.13	2,527.72
Accumulated Depreciation	**2478.78**	2544.06	2,275.36	2,072.63	1,884.93	1,753.60	1,684.28	1,395.00	1,297.12	1,192.22
Loans & Overdrafts	**2822.00**	2538.36	2,336.61	2,181.61	1,870.49	1,681.02	1,524.42	1,602.92	1,493.43	1,506.37
Capital Employed	**9157.40**	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79	5,736.23	6,105.26	5,979.89

Auditors' Report

TO THE MEMBERS OF STONE INDIA LIMITED

We have audited the attached Balance Sheet of **Stone India Limited** (the Company) as at 31st March, 2011 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the "responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order") as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 ("the Act") and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that:

i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

b) As explained to us, the fixed assets of the Company are physically verified by the management over a phased manner, which we consider reasonable considering the size of the Company and nature of its assets. As explained to us such verification has been carried out by the management and the necessary reconciliation with the book records was under progress at the year end.

(c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets.

ii) a) The inventory has been physically verified by the management during the year. In our opinion and according to the information and explanations given to us, the frequency of verification, wherever carried out, is reasonable.

b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion, the Company has maintained proper records of its inventory and the discrepancies between the physical stock and book records were not material.

iii) Except for the advances recoverable in respect of expenses for a wholly owned subsidiary as per the records of the company, it has not taken/granted any loans, secured or unsecured , to any companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Advances recoverable as explained are against share capital.

iv) Having regard to the fact that comparative quotations are not available in respect of certain items of special nature purchased during the year, in our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v) To the best of our knowledge and belief and according to the information and explanations given to us and records of the company, we are of the opinion that there is no transaction that needs to be entered in to the register maintained under section 301 of the Act.

vi) The Company has not received or accepted any deposits during the year.

vii) The Company has an internal audit system which covers certain specific areas of operations/processes. *In the absence of any reports in this respect we are unable to comment on the adequacy or otherwise of the same.*

viii) We are informed that Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.

ix) a) According to the information and explanations given to us and as per the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Professional Tax, Wealth tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it *except for ESI including as mentioned in Note No.B 9 of Schedule 19, tax deducted at Source, income tax, excise duty and sales tax where there were delays in depositing the dues to appropriate authorities.* However, according to the information and explanations given to us, there is no undisputed amounts payable in respect of these which were in arrears, as at 31st March 2011 for a period of more than six months from the date they became payable.

b) According to information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except as given below:

Statute	Nature of Tax	Forum where dispute is pending	Period to which related	Amount in Lacs
West Bengal Sales Tax Act, 1995	Sales Tax	Revisional Board	2004-05	14.30
Central Sales Tax Act, 1954	Sales Tax	Revisional Board	2003-04, 2004-05 and 2005-06	30.71
Income Tax Act, 1961	Income Tax	Appeal to be filed in the High Court	A.Y. 2006-07	13.48

x) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi) According to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks and financial institutions.

xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the said order are not applicable to the company.

xiv) The Company is not dealing/trading in securities.

xv) According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi) As per the information and explanations given to us and based on the documents and records produced to us, in respect of fresh term loans raised during the year, the Company *deployed Rs. 202.81 lacs for another project* and the balance fund has been applied for the purpose for which they were raised.

xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties and companies required to be covered in the register maintained under section 301 of the Act.

xix) The Company does not have any outstanding debentures during the year.

xx) The Company has not raised any money through a public issue during the year.

xxi) During the course of our examination of books of accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the company nor have we been informed of any such case by the management.

2. Attention is invited to the following Notes to Schedule 19 regarding:

(a) Rental demands on the Company amounting to Rs.228.97 lacs, pending decision of the Court exact status of liability is presently not ascertainable. (Note B 8)

(b) Payment of managerial remuneration amounting to Rs.18.82 lacs for the year is subject to approval of the Central Government. (Note B7)

3. *We further report that overall impact with respect to the Notes given in paragraph (2) above cannot be ascertained and commented upon by us.*

4. Further to the above, we report that:

(a) *We except as given in Note B 19* of Schedule 19 have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(c) In our opinion, proper books of account, as required by law have been kept by the Company so far as it appears from our examination of the books;

(d) In our opinion, the Profit & Loss Account, Balance Sheet and Cash Flow Statement prepared by the Company comply with the various Accounting Standards referred to in Sub-section-3(c) of Section 211 of the Act;

(e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2011 from being appointed as a director under Section 274 (1) (g) of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, *subject to our remarks as given in para 2 above whereby as given in para 3 above, we are unable to ascertain and indicate the impact thereof on these accounts and Note B 19 of Schedule 19 regarding non availability of details relating to Micro, Small and Medium Enterprise Development Act, 2006* and read together with the other notes thereon, these accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:.

(a) In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2011;

(b) in the case of Profit & Loss Account, of the profit for the year ended on that date; and

(c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **Lodha & Co.**
Chartered Accountants
Firm ICAI Registration No. : 301051E

H. S. Jha
Partner
Membership No. 55854

Place : Kolkata
Date : 2nd May, 2011

Profit & Loss Account for the year ended 31st March, 2011

(Rs in ' 000)

	SCHEDULE		For the Year ended 31st March 2011		For the Year ended 31st March 2010
INCOME					
Sales	1		**914,447**		940,053
Other Sources	2		**11,818**		5,732
			926,265		945,785
EXPENDITURE					
Consumption of materials	3		**519,833**		591,900
Expenses	4		**286,744**		244,510
Interest (net)	5		**40,666**		36,081
Depreciation	12	**26,475**		27,229	
Less: Transferred from Capital Reserve		**(9,149)**	**17,326**	(10,052)	17,177
			864,569		889,668
Profit/(Loss) before tax			**61,696**		56,117
Add: Prior Period Adjustment (net)			(159)		–
Profit/(Loss) before tax			**61,537**		56,117
Provision for tax :					
– Current Tax			**14,136**		10,034
– Deferred tax (Refer Note B 10 of Sch 19)			**1,311**		2,182
– Income tax relating to earlier years			**500**		(168)
Profit after tax			**45,590**		44,069
Surplus carried down			**45,590**		44,069
Appropriations:					
Surplus brought down			**45,590**		44,069
Profit/(Loss) brought forward from previous year			**85,314**		41,245
Surplus carried to Balance Sheet	10		**130,904**		85,314
Earnings per share (Face Value Rs. 10/- each)					
– Basic			**6.00**		**5.80**
– Diluted			**6.00**		**5.80**
Notes to the Accounts	6, 7, 8 & 19				

The schedules referred to above form an integral part of the Profit & Loss account
This is the Profit & Loss Account referred to in our Report of even date

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A.Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Balance Sheet as at 31st March, 2011

(Rs in ' 000)

	SCHEDULE		As at 31st March 2011		As at 31st March 2010
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	9	**76,033**		76,033	
Reserves & Surplus	10	**306,239**	**382,272**	310,253	386,286
Loan Funds:					
- Secured Loans	11		**282,200**		253,836
Deferred Tax Liability			**3,493**		2,182
(Refer Note No.B 10 of Sch 19)					
TOTAL			**667,965**		642,304
APPLICATION OF FUNDS					
Fixed Assets:	12				
Gross Block		**603,394**		653,548	
Less: Depreciation		**223,778**		230,306	
Less: Impairment		**24,100**		24,100	
Net Block		**355,516**		399,142	
Add : CWIP		**28,869**	**384,385**	8,055	407,197
Investments	13		**103**		103
Current Assets,Loans & Advances:					
Inventories	3	**201,817**		152,986	
Sundry Debtors	14	**250,949**		236,519	
Cash & Bank Balances	15	**22,052**		23,449	
Other Current Assets	16	**19,804**		19,475	
Loans & Advances	17	**150,525**		103,556	
		645,147		535,985	
Less:Current Liabilities & Provisions:					
Liabilities	18	**315,526**		268,973	
Provisions	18	**46,144**		32,008	
		361,670		300,981	
Net Current Assets			**283,477**		235,004
TOTAL			**667,965**		642,304
Notes to the Accounts	6, 7, 8 & 19				

The schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our Report of even date.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A.Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Cash Flow Statement for the year ended 31st March, 2011

(Rs in ' 000)

	For the Year ended 31.03.11	For the Year ended 31.03.10
Net Profit/(Loss) before tax and after exceptional items	**61,537**	56,117
A. ADJUSTMENT FOR :		
Depreciation	**17,326**	17,177
(Profit)/Loss on sale of Fixed Assets	**(6,863)**	(41)
Interest Received	**(581)**	(508)
Interest Paid	**41,247**	36,589
Provision for doubtful debts	**800**	–
Provision for LD & Warranty	–	1,000
Foreign Exchange Fluctuation Gain	**(727)**	(3,475)
Foreign Exchange Fluctuation Loss	**3,465**	1,185
Bad debt written off	**101**	47,557
EMD written off	–	5,140
Provisions/liabilities no longer required written back	**(3,819)**	(39,956)
Irrcoverable Balances written off	544	–
Operating Profit/(loss) before working capital charges	**113,030**	120,785
Adjustment For :		
Trade & other receivables	**(52,867)**	(65,708)
Inventories	**(48,831)**	(14,361)
Trade & other payables	**50,372**	(16,543)
Cash generated from operation	**61,704**	24,173
Foreign Exchange Fluctuation Loss (net of gain)	**(2,738)**	2,290
Net Cash from operating activities	**58,966**	26,463
Taxes (paid)/Refund received	**(10,955)**	1,219
	48,011	27,682
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	**(23,305)**	(126,787)
Sale of Fixed Assets	**6,863**	41
Decrease (Increase) in Capital WIP	**(20,814)**	115,789
Interest Received	**731**	133
Net Cash used In Investment Activities	**(36,525)**	(10,824)

Cash Flow Statement for the year ended 31st March, 2011 (Contd.)

(Rs in ' 000)

	For the Year ended 31.03.11	For the Year ended 31.03.10
C. **CASH FLOW FINANCING ACTIVITIES**		
Interest paid	**(41,247)**	(36,589)
Increase/(Decrease) in borrowings	**28,364**	20,175
Net Cash used in Financing Activities	**(12,883)**	(16,414)
Net Increase/ (decrease) In Cash & Cash equivalents	**(1,397)**	444
Cash & Cash equivalents at beginning	**23,449**	23,005
Cash & Cash equivalents at closing	**22,052**	23,449
Net Increase/ (decrease) in cash & cash equivalents	**(1,397)**	444

Notes :

1) Cash and Bank balance includes Rs 16,893 (previous year Rs 20,071) which are under lien or are not freely available.
2) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements.
3) Previous year's figures have been rearranged, where necessary.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A.Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Schedule to the Accounts

(Rs in ' 000)

	For the Year ended 31.03. 2011	For the Year ended 31.03. 2010
SCHEDULE 1 - SALES		
Gross Sales :		
Inland	**997,207**	1,009,228
Export	**7,268**	4,863
	1,004,475	1,014,091
Less : Excise Duty	**90,028**	74,038
Net Sales	**914,447**	940,053

DETAILS OF NET SALES [PRODUCTWISE]	**For the Year ended 31.03.2011**		For the Year ended 31.03.2010	
	Nos	**Value**	Nos	Value
CLASS OF GOODS				
Trainlighting Dynamos/Alternators,Generators & D.C.Motors :	**1355**	**172,077**	1,506	164,132
SAB Brake Regulator/CL-8 :	**18328**	**278,753**	26,681	306,580
Pantograph for Elec.Locos & Elec.Multiple Unit Stock A.C. & D.C. :	**378**	**47,642**	480	65,669
Air Brakes/Loco Valves :	**3164**	**138,312**	2,434	115,397
Air Dryer :	**329**	**27,402**	190	24,237
	[Sets]		[Sets]	
Empty Load Box	**798**	**2,657**		
TBU	16	768		
CDTS Toilet	4	370	—	—
FDTS	8	1,997	—	—
Air Springs	**65**	**21,832**	200	67,449
Pneumatic Control Equipment	—	—	149	9,484
Installation Charges & Conversion/Processing of Raw Materials :		6,926		10,767
Spares for above items (*):		**212,375**		175,301
Airconditioning & Refrigeration Equipment,Spares etc.(*) :		**3,336**		1,037
	Total	**914,447**	Total	940,053

(*) consists of numerous items in various units and hence could not be reported above.

SCHEDULE 2 - INCOME FROM OTHER SOURCES	**For the Year ended 31.03.2011**	For the Year ended 31.03.2010
Foreign Exchange Gain	**727**	**3,475**
Profit on Sale of Fixed Assets	**6,863**	**41**
Liabilities no longer required, written back	**3,819**	**1,695**
Miscellaneous Receipts	**409**	**521**
	11,818	**5,732**

Schedule to the Accounts (Contd.)

(Rs in ' 000)

SCHEDULE 3 - CONSUMPTION OF MATERIALS	For the Year ended 31.03.2011		For the Year ended 31.03.2010	
(a) Opening Stock				
Raw Materials	**98,370**		80,913	
Work in Progress	**46,896**		51,175	
Finished Goods	**7,720**	**152,986**	6,537	138,625
Add: Purchases	**554,769**		589,855	
Duty ,Landing, Clearing & Freight	**15,903**	**570,672**	18,774	608,629
		723,658		747,254
Deduct: Closing Stock				
Raw Materials	**133,708**		98,370	
Work in Progress	**60,524**		46,896	
Finished Goods	**7,585**	**201,817**	7,720	152,986
		521,841		594,268
Deduct : Sale of Scraps		**2,008**		2,368
		519,833		591,900

(b) Raw Materials Consumed(*)

Items	Unit	For the Year ended 31.03.11 Quantity	Value	For the Year ended 31.03.10 Quantity	Value
**Ferrous Metal	Tonne.	**34**	**1,990**	37	2,075
**Non-Ferrous Metal	Tonne	**8**	**2,058**	14	3,893
Stampings	Kgs.	**124,919**	**13,604**	138,790	14,325
Castings	Pcs	**59,704**	**21,588**	67,260	18,915
Bearings	Pcs	**25,981**	**11,080**	48,914	13,719
Piece Parts [includes A.C.Spares]	Pcs	**4,183,352**	**484,762**	4,285,082	537,401
***Others		—	**136**	—	844
			535,217		591,172

* Raw materials,stores & spare parts consumed are after adjustment including shortage/excess and losses thereagainst.

** Including items which are normally dealt with in the market in quantitative denomination other than in weight.

*** Includes various items with different quantitative denominations.

(c) Opening and Closing Stock of Goods Produced

	2010-11 Opening Stock as on 01.04.10		2010-11 Closing Stock as on 31.03.11		2009-10 Opening Stock as on 01.04.09		2009-10 Closing Stock as on 31.03.10	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Air Dryer	**111**	**7,329**	**92**	**6,075**	91	6,009	111	7,329
Others		**391**		**1,510**		528		391
		7,720		**7,585**		6,537		7,720

Schedule to the Accounts (Contd.)

(Rs in ' 000)

	For the Year ended 31.03. 2011	For the Year ended 31.03. 2010
SCHEDULE 4 - EXPENSES		
Salaries, Wages , Bonus etc	**114,951**	94,469
Contribution to Provident and Superannuation Funds	**9,228**	6,944
Gratuity	**5,104**	241
Staff Welfare	**11,304**	10,835
Consumption of Stores	**31,351**	23,864
Power and Fuel	**11,458**	10,895
Insurance	**550**	570
Rent (Net)	**4,322**	3,005
Rates & Taxes	**1,553**	901
Selling & Distribution Expenses	**7,890**	8,071
Commission	**4,921**	—
Business Development Expenses	**627**	504
Legal & Professional Expenses	**12,467**	6,981
Auditors Remuneration	**488**	488
Repairs :		
Buildings	**1,453**	811
Plant & Machinery	**411**	461
Others	**3,847**	3,187
Freight & Transport	**17,650**	19,373
Travelling & Conveyance	**15,805**	12,151
Postage, Telephone & Stationery	**7,163**	7,827
Provision for bad debts & Others	**800**	—
Bad Debts	**101**	47,557
Earnest Money Deposit Written Off	—	5,140
Provision for bad and doubtful debts no longer	—	(35,419)
required,now written back	—	
Provision for Earnest Money Deposit no longer required now written back	—	(2,842)
LD & warranty	—	1,000
Royalty	**1,755**	1,978
Irrcoverable Balances written off	**544**	—
Foreign Exchange Loss	**3,465**	1,185
Miscellaneous expenses	**17,536**	14,333
	286,744	**244,510**
SCHEDULE 5 - INTEREST		
Interest on Term Loans	**5,505**	4,608
Interest on Cash Credit etc.	**30,586**	27,737
Acceptances discounting charges	**2,097**	—
Interest on others	**2,929**	4,040
Car Lease Finance Charges	**130**	204
	41,247	36,589
Less : Interest on Deposits & others (Gross of Tax deducted at source Rs. 23 Previous year Rs. 76)	**581**	508
	40,666	36,081

Schedule to the Accounts (Contd.)

SCHEDULE 6 - CAPACITY AND PRODUCTION

Class of Goods	Unit	Production For the year ended 31.03.11	Production For the year ended 31.03.10
Trainlighting Dynamos/Alternators, Generators & D.C.Motors	Nos.	**1,355**	1,506
SAB Brake Regulator/CL-8	Nos.	**18,328**	26,189
Empty Load Boxes	Nos.	**798**	492
Pantograph for Elec.Locos & Elec.Multiple units stock AC & DC	Nos.	**378**	480
Air Brakes/Loco Valves	Sets	**3,164**	2,434
Locomotive Brake Module	Nos.	—	—
Air Drier (**)	Sets	**310**	210
Electronic Brake Systems	Nos.	—	—
Biological Toilet Systems	Nos.	**4**	—
Trade Brake Units	Nos.	**16**	—
Coverter / Inverter	Nos.	—	—
Air Springs	Sets	**58**	200
Pneumatic Control Equipment	Sets	—	149
Electronic Locomotive Control System	Nos.	—	—

(*) Installed capacity as certified by the Management is stated on a single shift basis for all class of goods except in cases of SAB Brake Regulator/CL-8 and Empty Load Boxes where this is stated on double shift basis. This being a techincal matter the same has been relied upon by the Auditors

(**) Production includes Return 91 nos. for year ended 31.03.11, (Previous year 202 Nos.)

SCHEDULE 7A - CONSUMPTION OF RAW MATERIALS

(Rs in ' 000)

	For the Year ended 31.03. 2011 % of total consumption	For the Year ended 31.03. 2011 Amount	For the Year ended 31.03. 2010 % of total consumption	For the Year ended 31.03. 2010 Amount
Imported	**6**	**33,769**	10	61,432
Indigenous	**94**	**501,448**	90	529,740
	100	**535,217**	100	591,172

SCHEDULE 7B - CONSUMPTION OF COMPONENTS AND SPARE PARTS

	For the Year ended 31.03. 2011 % of total consumption	For the Year ended 31.03. 2011 Amount	For the Year ended 31.03. 2010 % of total consumption	For the Year ended 31.03. 2010 Amount
Indigenous	**100**	**31,351**	100	23,864
	100	**31,351**	100	23,864

SCHEDULE 8A - IMPORTS AND EXPENDITURE IN FOREIGN CURRENCY

	For the Year ended 31.03. 2011 Amount	For the Year ended 31.03. 2010 Amount
C.I.F. Value of Imports :		
Raw Materials and Components	**35,599**	58,519
Royalty	**1,755**	1,978
Others	**5,897**	632
	43,251	61,129

SCHEDULE 8B - EARNINGS IN FOREIGN EXCHANGE

	For the Year ended 31.03. 2011 Amount	For the Year ended 31.03. 2010 Amount
FOB value of exports	**7,268**	4,863

Schedule to the Accounts (Contd.)

SCHEDULE 9 - SHARE CAPITAL

	As at 31.03. 2011	As at 31.03. 2010
		(Rs in ' 000)
AUTHORISED:		
100,00,000 Equity Shares of Rs. 10/- each	**100,000**	100,000
ISSUED:		
76,67,963 Equity Shares of Rs. 10/- each (Previous year 76,67,963 Equity Shares of Rs. 10/- each)	**76,679**	76,679
SUBSCRIBED:		
75,96,499 Equity Shares of Rs. 10/- each (Previous Year 75,96,499 Equity Shares of Rs.10/- each)	**75,965**	75,965
Add : 13,600 Equity Shares of Rs. 10/- each (Previous Year 13,600 Equity Shares of Rs.10/- each) Rs.5/- Paid on application & forfeited	**68**	68
	76,033	76,033

Note: 3,75,700 Shares were issued for consideration other than cash.15,87,253 Shares were alloted as fully paid up by way of Bonus Shares by capitalisation of General Reserves.

SCHEDULE 10 - RESERVES AND SURPLUS

		As at 31.03. 2011		As at 31.03. 2010
Capital Investment Subsidy Reserve		**2,000**		2,000
Capital reserve in terms of the scheme of arrangement on revaluation of fixed assets	**55,873**		65,925	
Transfer to profit & loss account Being depreciation on revalued assets	**(9,149)**		(10,052)	
Transferred from Fixed Assets on Sale	**(40,455)**	**6,269**	—	55,873
Other Reserve		**53**		53
Securities Premium account :				
Balance beginning of the year		**107,457**		107,457
General Reserve :				
Balance as per last account		**59,556**		59,556
Surplus as per Profit & Loss Account	**130,904**	**130,904**	85,314	85,314
		306,239		310,253

Schedule to the Accounts (Contd.)

SCHEDULE 11 - SECURED LOANS

Loan from Industrial Development Bank of India (IDBI)	—	9,957
Term Loan from Indian Overseas Bank	**69,805**	—
Cash Credit from Banks	**205,077**	226,820
Loan from Orix Auto Infrastructure Services Ltd	**6,929**	16,327
Finance lease obligation to Orix Auto Infrastructure Services Ltd	**389**	732
	282,200	253,836

Cash Credit from Banks are secured by way of Hypothecation of stocks and book debts and are further secured by way of a second charge on the fixed assets of the Company on a pari pasu basis .

Loan taken from Orix Auto Infrastructure services Ltd. is secured against Plant & Machinery acquired against the said loan.

Finance Lease obligation is secured against Cars taken on Finance Lease.

Loan taken from Indian Overseas Bank is secured by exclusieve 1st charge on Land & Factory Building of Nalagarh and further secured by a pari pasu 1st charge on the entire current assets both present & future of Nalagarh unit .

SCHEDULE 13 - INVESTMENTS

LONG TERM INVESTMENTS
Unquoted - At Cost

TRADE		
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	**3**	3
OTHER THAN TRADE		
Shares in Subsidiary Company :		
10000 Equity Shares of Rs. 10 each fully paid up in Stone Intermodal Private Limited	**100**	100
	103	103

Schedule to the Accounts (Contd.)

SCHEDULE 12 - FIXED ASSETS

(Rs in ' 000)

	Gross Block At Cost					Impairment			Depreciation					Net Block	
	As at 01.04.10	Additions during the year ended 31.03.11	Sales/ Adjustment for the year ended 31.03.11	Sales/ Adjustment for the year ended 31.03.11 (Revalued Figure)	As at 31.03.11	As at 01.04.10	For the year ended 31.03.11	As at 31.03.11	As at 01.04.10	Sales/ Adjustment for the year ended 31.03.11	Sales/ Adjustment for the year ended 31.03.11 (Revalued Figure)	For the year ended 31.03.11	As at year 31.03.11	As at 31.03.11	As at 31.03.10
A.TANGIBLE ASSETS:															
Leasehold Land & Buildings	15,072	–	–		15,072	–	–	–	4,681	–		198	4,879	10,193	10,391
Freehold Land & Buildings	12,429	–	–		12,429	–	–	–	1,449	–		200	1,649	10,780	10,980
Freehold Land at Buddy	12,741	–	–		12,741	–	–	–	-	–		–	–	12,741	12,741
Freehold Building at Buddy	35,988	6,849	–		42,837	–	–	–	536	–		612	1,148	41,689	35,452
Plant & Machinery	484,400	12,394	24,999	48,460	423,335	24,100	–	24,100	174,249	24,999	8,004	16,646	157,892	241,343	286,051
Furniture Fittings & Electrical Installations	49,521	1,057	–		50,578	–	–	–	31,336	–		3,347	34,683	15,895	18,185
Vehicles	1,373	–	–		1,373	–	–	–	956	–		56	1,012	361	417
Tools	24,913	238	–		25,151	–	–	–	9,149	–		2,118	11,267	13,884	15,764
Leasehold Vehicle	1,741	–	–		1,741	–	–	–	495	–		165	660	1,081	1,246
B.INTANGIBLE ASSETS:															
Technical Know How	7,967	–	–		7,967	–	–	–	5,218	–		1,166	6,384	1,583	2,749
Computer Software	7,403	710	–		8,113	–	–	–	2,237	–		1,967	4,204	3,909	5,166
Inhouse Technology	–	2,057	–		2,057	–	–	–	–	–		–	–	2,057	–
Total	653,548	23,305	24,999	48,460	603,394	24,100	–	24,100	230,306	24,999	8,004	26,475	223,778	355,516	399,142
Add: Capital Work-in-Progress														28,869	8,055
														384,385	407,197
Previous Year	527,120	126,787	359		653,548	24,100	–	24,100	203,436	359		27,229	230,306		423,428

1. The Deed Of Conveyance/Registration relating to building at Gopalpur, Orissa is in the process of being executed by the Company and the stamp duty payable in respect thereof will be accounted for on assessment. However , the said property is in the Company possession.
2. Fixed Assets include flat at New Delhi in which the Company has one - third ownership share and is in the Company's joint possession.
3. Furniture, fittings and Electrical installations includes computer & computer peripherals.
4. Depreciation on Fixed Assets has been provided on straight line method from the date these are put to use at specified rates as under:

	Year Ended 31.03.2011	Year Ended 31.03.2010
Freehold Buildings	**1.63%**	1.63%
Leasehold Factory Buildings	**3.34%**	3.34%
Plant & Machinery :		
Single Shift	**4.75%**	4.75%
Furniture & Fittings	**6.33%**	6.33%
Office Equipment	**13.91%**	13.91%
Airconditioner	**13.91%**	13.91%
Computer	**16.21%**	16.21%
Electrical Installation	**13.91%**	13.91%
Cycles	**7.07%**	7.07%
Other Vehicles	**9.50%**	9.50%
Technical Khow How Fees	**25.00%**	25.00%
Tools	**11.31%**	11.31%

* Items below Rupees Five thousand each have been depreciated at hundred percent.

Schedule to the Accounts (Contd.)

(Rs in ' 000)

	As at 31.03. 2011	As at 31.03. 2010
SCHEDULE 14 - SUNDRY DEBTORS (UNSECURED)		
(Unsecured-considered good unless otherwise stated)		
Over Six Months		
– Considered good	**57,361**	61,177
– Considered Doubtful	**800**	—
Other debts		
Considered good	**193,588**	175,342
	251,749	236,519
Less : Provision for doubtful debts	**800**	—
	250,949	236,519
SCHEDULE 15 - CASH AND BANK BALANCES		
Cash in hand	**1,679**	1,451
With Scheduled Banks on :		
– Current Accounts	**2,871**	849
– Dividend Accounts	**609**	611
– Debenture Interest Accounts	—	223
– Unutilised Share Application Money	—	244
– Margin Money Deposit (Under Lien)	**9,285**	11,140
– Fixed Deposit (Under Lien)	**7,608**	8,931
	22,052	23,449
SCHEDULE 16 - OTHER CURRENT ASSETS		
Deposit with customers/others : (Considered good)	**19,546**	19,067
– Interest Receivable	**258**	408
	19,804	19,475
SCHEDULE 17 - LOANS AND ADVANCES		
Loans and Advances recoverable in cash or in kind or for value to be received		
Unsecured - considered good	**122,209**	85,695
Including Rs. 53,797 (Previous Year Rs. 33,516) to a Subsidiary Company.		
under the same management (Maximum outstanding Rs. 53,797)		
– Considered doubtful	**6,520**	6,520
Advance payment of Income Tax, Fringe Benefit Tax and Tax Deducted at Source	**28,316**	17,861
	157,045	110,076
Less : Provision for doubtful loans & Advances	**6,520**	6,520
	150,525	103,556
SCHEDULE 18 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
Acceptance	**5,000**	—
Sundry Creditors (Refer Note B 20 of Schedule 19)*	**182,086**	165,826
Book Overdraft	**1,462**	—
Liability for Gratuity	**2,739**	234
Other Liabilities	**123,714**	102,300
Unclaimed Debenture Interest**	—	86
Unpaid Dividend**	**525**	527
	315,526	268,973

* Amount due to creditors include Rs. 44,575 due to small scale industries as at 31st March'11 (Previous year Rs. 39,652)

** These amounts are not yet due to be credited to Investors Education and Protection Fund

Provisions:		
Current Tax	**36,870**	22,734
Fringe Benefit Tax	**2,790**	2,790
Provision for LD & Warranty	**6,484**	6,484
	46,144	32,008
	361,670	300,981

Schedule to the Accounts (Contd.)

SCHEDULE 19 - NOTES ON ACCOUNTS

A) Significant Accounting Policies

1. Basis of Preparation of Financial Statements

The accounts have been prepared under the historical cost convention and in accordance with the provision of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

2. Sales:

Sales (net of returns, etc.) comprise sale of goods which are accounted for on the basis of dispatches within the Financial year/ period and income from installation charges/job works which are recognized on acceptance by customers.

3. Employee benefits:

Employee benefits are accrued in the period in which services are rendered by the employees.

Contribution to defined contribution schemes such as Provident Fund etc. are recognized as and when incurred.

Long term employee benefits under defined benefit scheme such as contribution to gratuity, leave etc. are determined at close of the financial year at present value of the amount payable using actuarial valuation techniques.

Actuarial gains and losses are recognised in the year when they arise.

4. Fixed Assets and Depreciation :

a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Schedule 12 to the Accounts. Leasehold land is amortized over the period of lease.

b) In case of revaluation of Fixed Assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to Capital Reserve.

c) Depreciation on assets revalued is calculated on their respective book values on Straight Line Method based on useful life either assessed technically or derived with respect to the rates specified in Schedule XIV to the Companies Act, 1956. The additional charge of depreciation on account of revaluation is deducted from the Capital Reserve and credited to the Profit & Loss Account.

5. Expenditure during Construction Period

Expenditure related to and incurred during implementation of capital project is included under Capital Work-in-progress and the same is allocated to the respective Fixed Assets on completion of its construction / erection and commencement of commercial production.

6. Impairment:

Fixed Assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of the fixed assets is determined. An impairment loss is recognized whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater of asset's net selling price or its value in use. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased.

7. Inventories:

a) Inventories are valued at the lower of cost or estimated net realizable value. Cost is determined on first in first out method of valuation.

b) Cost of raw materials and bought out components are determined on the basis of first in first out method of valuation.

c) Work-in-progress is valued at direct material cost, direct labour cost and allocable direct/indirect production overheads. Labour cost is determined by applying normal labour hour rates on equivalent completed production hours as estimated by the Technical Department.

d) Finished Goods are valued after considering appropriate portion of allocable overhead considered relatable to production directly or indirectly. Allocable overheads have been determined on actual/pro-rata basis with reference to the aggregate overheads of the Company.

e) Provision is made for slow-moving and obsolete inventories.

8. Taxes on income

Provision for tax is made for current and deferred taxes. Current tax is provided on the taxable income using the applicable

Schedule to the Accounts (Contd.)

tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent years are recognised using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

9. **Investments:**

Long term Investments are accounted for at cost less any permanent diminution in value.

10. **Foreign Currency:**

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign Currency monetary assets and liabilities at the year end are translated using the closing exchange rates. The loss or gain thereon and also on the exchange differences on the settlement of the foreign currency transactions during the year are recognized as income or expenses.

11. **Use of Estimates, Provisions, Contingent Liabilities and Contingent Assets:**

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures related to contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known / materialized.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are disclosed by way of notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statement.

12. **Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as the part of the cost of that asset.

13. **Provision for liquidated damages and warranty costs**

a) Provision for liquidated damages in terms of agreement with customers is made as estimated based on merit and probability of its occurrence.

b) Product warranty costs are accrued in the year of sale as estimated based on past experience.

14. **Finance Lease:**

Assets acquired on finance leases are capitalised and a corresponding liability disclosed as lease obligations under "Secured Loans". Such assets are capitalised at fair values or present value of minimum lease payments, whichever is lower, at the inception of the lease term and disclosed as leased assets. Rentals paid by the Company are apportioned between the finance charge and as a reduction of the outstanding liability. Finance charge reflects a constant periodic rate of interest of the remaining balance of liability for each period.

B. Notes on Accounts

	As at 31.03.11	As at 31.03.10
1) Commitments on Capital Accounts (net of advances)		
– Tangible Assets	**5,253**	2,124
– Intangible Assets	**18,870**	18,870
2) Contingent Liabilities to the extent quantified:		
Claims against the Company not acknowledged as debts:		
– in respect of Sales tax matters in dispute	**4,501**	5,974
– in respect of Income matters in dispute	**1,348**	1,607
– demand raised by technology supplier for which the arbitration award is awaited	**15,600**	—

Schedule to the Accounts (Contd.)

3) a) Work-in-Progress is arrived at after conversion of stocks at various stages of completion to equivalent completed production hours, which have been valued at normal labour hour rates and allocated overheads apart from the material cost.

b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The production overhead has been allocated on actuals/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on management's technical estimates, the auditors have relied upon the same.

4) Certain debit and credit balances including debtors, creditors and loans and advances are subject to confirmation and reconciliation arising there from.

5) Auditors' remuneration paid/ payable:

	Year ended 31.03.11	Year ended 31.03.10
Audit Fees	**150**	150
In Other Capacity: Certificate etc. including quarterly audit fees	**338**	338
Total	**488**	488

6) Managerial Remuneration:

	Year ended 31.03.11	Year ended 31.03.10
Remuneration	**13,824**	9,554
Perquisite	**278**	366
Total	**14,102**	9,920

- excluding monetary value of accrued leave and Company's contribution to Gratuity Fund in respect of managerial personnel in employment at the end of the quarter/half year.
- Remuneration amounting to Rs 1,882 payable to the Managing Director is pending approval of the Central Government

7) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous year Rs 22,897) on leasehold land from Calcutta Port Trust in the earlier years, the Company has preferred a Special Leave Petition in Hon'ble Supreme Court against the judgment of Hon'ble High Court on the matter. The Supreme Court has referred the said matter to the Calcutta High Court for a fresh decision on merit. Pending decision of the Court, provision amounting to Rs. 9,448 made their against has been considered adequate by the management.

8) The Company has made full provision for dues to the ESI authorities arising out of the ESI Central) – 2nd Amendment Rules, 1996 which could not be deposited with the ESI authorities because of a stay order issued by the Calcutta High Court on 25 April, 1997. Upon appeal by the department, the stay order was set aside by the Division Bench of the Calcutta High Court on 16 March, 2004. In 2009-10, the company received a claim of Rs. 3,317 for the year ended 31st March 2002 against which it had deposited Rs 1,306 and adjusted the opening liability to that extent. The balance liability has been carried forward pending final decision and determination of liability in this respect and the same has been considered to be adequate.

9) Earnings per share

	Year ended 31.03.11	Year ended 31.03.10
(a) Net Profit/(Net Loss) attributable to equity holders (In Rs.)	**45,590**	44,069
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	**76,03,299**	76,03,299
(c) Basic and Diluted Earnings per share in Rs.(Face value Rs 10/- per share) (a)/(b)	**6.00**	5.80

Schedule to the Accounts (Contd.)

10) The Company has deferred tax asset on account of carried forward losses, unabsorbed depreciation and provision for bad debts. However, no such assets have been considered against carried forward business loss. The break-up of deferred tax assets and liabilities are as follows:

	As on 01.04.2010	(Charges)/ Credit during the year 31.03.11	As on 31.03.2011
Deferred Tax Assets :			
Unabsorbed Depreciation	8,656	2,884	11,540
Provision for leave	2,408	920	3,328
Provision for gratuity	72	817	889
	11,136	**4,621**	**15,757**
Deferred Tax Liabilities :			
Depreciation Difference	(13,318)	(5,932)	(19,250)
Net Deferred Tax Asset/(Liabilities)	**(2,182)**	**(1,311)**	**(3,493)**

In view of the above, the Company has not recognized MAT credit entitlement.

11) Related Party Disclosures:

(A) Related parties with whom the Company had transactions, etc.

(a) Enterprise where control exists: Stone Intermodal Private Limited (Subsidiary)

(b) Associates:
i. Duncans Tea Limited
ii. Odyssey Travels Limited
iii. Shubh Shanti Services Limited
iv. Andhra Cements Limited
v. NRC Limited
vi. Sewand Investments Pvt. Ltd
vii. Dail Consultants Ltd
viii. Duncan Industries Ltd
ix. Kavita Marketing Pvt. Ltd

(c) Key Management Personnel (KMP)

Mr. A. Mondal : Managing Director & CEO

Mr. Shrivardhan Goenka : Wholetime Director

(d) Relative of director/KMP : Mrs. Indu Goenka

(B) The parties listed in (b) above though are not required to be disclosed as per requirements of AS-18, these have been included hereinabove in view of the requirement of Clause 32 of the Listing Agreement.

(C) Statement showing details of AS-18 related transactions:

(i) Transactions with Subsidiary:

	Year ended 31.03.11	Year ended 31.03.10
A. Transactions Reimbursement of Expenses		
Stone Intermodal Pvt Ltd	**20,281**	17,677
B. Balance at the end of the year Stone Intermodal Pvt Ltd	**53,797**	33,516

Schedule to the Accounts (Contd.)

(ii) Transactions with Associate Companies:

	Year ended 31.03.11	Year ended 31.03.10
A. Transactions		
Purchase of Service / Other :		
Odyssey Travel Ltd	**696**	792
B. Balance at the end of the year		
Advance Given		
Duncan Industries Limited	**283**	283
Odyssey Travel Ltd	**32**	—
Creditors/Payables		
Odyssey Travel Ltd	—	69
ISG Traders	—	—
Sewand Investments Pvt Ltd	**10**	10

(iii) Transactions with key management personne

	Year ended 31.03.11	Year ended 31.03.10
Mr. Amitava Mondal	**10,902**	6,887
Mr. S.V. Goenka	**3,200**	3,033

Notes:

(a) In respect of above parties, there is no provision for doubtful debts as on 31st March, 2011 and no amount has been written off or written back during the year in respect of debts due from / to them.

(b) The above Related Party information is as identified by the Management and relied upon by the auditors.

12) Carrying value of Fixed Assets of the Colour Monitor Unit at Kustia Road being affected due to obsolescence was considered for impairment as on 1st April, 2004 and Rs 24,100 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.

13) In terms of the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Assets, details of provisions for Liquidated Damages and Warranty are as follows:

	Opening Balance as on 01.04.10	Further provision	Provision Adjusted	Closing Balance as on 31.03.11
Provision for liquidated damages	434	—	—	434
Provision for warranty	6,050	—	—	6,050
Total	6,484	—	—	6,484

Provisions made in earlier years in view of the management are sufficient and therefore, no further provision with respect to these has been considered.

14) Certain plant and machineries and land and building of the company as on 31.12.2001 and 01.01.2007 were revalued by the approved valuers on net replacement cost basis and fair value basis respectively and surplus of Rs. 424,965 arising there from was credited to Revaluation Reserve. Depreciation includes additional charge of Rs.9,213 for the year ended 31st March ,2011 (Previous year Rs. 10,052,) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.

15) Employee Benefits :

The disclosures required under Accounting Standard 15 “Employee Benefits” notified in the Companies (Accounting Standards) Rules, 2006, are given below :

Defined Contribution Scheme :

Contribution to Defined Contribution Plan , recognized for the year are as under :

Schedule to the Accounts (Contd.)

Employer's Contribution to Provident Fund-	Rs. 3,335
Employer's Contribution to Pension Fund –	Rs. 2,408
Employer's Contribution to Superannuation Fund –	Rs. 1,305

Defined Benefit Scheme

The employee's gratuity fund scheme is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as gratuity.

		Gratuity (Funded)				Leave Encashment (Non Funded)			
	Particulars	**31/03/11**	**31/03/10**	**31/03/09**	**31/03/08**	**31/03/11**	**31/03/10**	**31/03/09**	**31/03/08**
1	Current Service Cost	1,420	1,364	1,206	1,034	1,851	1,662	1,487	1,210
2	Interest Cost	1,603	1,407	1,328	1,112	506	493	575	465
3	Expected return on plan assets	(1,922)	(1,555)	(1,346)	(1,063)	–	–	–	–
4	Past Service Cost *	1,148	–	–	–	–	–	–	–
5	Actuarial Losses / (Gains)	2,855	(975)	1,565	1,020	2,870	(943)	(630)	76
	Total Expenses	**5,104**	**241**	**2,753**	**2,104**	**5,227**	**3,098**	**1,432**	**1,751**
Change in the obligation during the year ended March 31, 2011									
1	Present value of Defined Benefit Obligation at the beginning of the year	21,157	18,733	16,644	13,591	7,791	8,108	7,341	5,756
2	Current Service Cost	1,420	1,364	1,206	1,034	1,851	1,662	1,487	1,210
3	Interest Cost	1,603	1,407	1,328	1,112	506	493	575	465
4	Benefit Paid	(1,723)	(919)	(889)	(54)	(2,760)	(3,415)	(665)	(166)
5	Actuarial (Gains) / Losses	2,238	572	444	961	2,870	943	(630)	76
6	Planned Amendment Cost *	1,148	–	–	–	–	–	–	–
	Present value of Defined Benefit Obligation at the end of the year	**25,843**	**21,157**	**18,733**	**16,644**	**10,258**	**7,791**	**8,108**	**7,341**
Change in Assets during the year ended March 31, 2011									
1	Plan Assets at the beginning of the year	20,923	16,739	13,403	11,216	–	–	–	–
2	Contribution by Employer	2,600	2,000	4,000	1,238	2,760	3,415	665	166
3	Expected return on plan assets	1,923	1,555	1,346	1,063	–	–	–	–
4	Benefit Paid	(1,723)	(919)	(889)	(54)	(2,760)	(3,415)	(665)	(166)
5	Actuarial Gains / (Losses)	(617)	1,548	(1,121)	(59)	–	–	–	–
	Plan Assets at the end of the year	**23,105**	**20,923**	**16,739**	**13,403**	–	–	–	–
Reconciliation of Net Asset / (Liability) recognised in the Balance Sheet during the year ended March 31, 2011									
1	Net Asset / (Liability) at beginning of the year	(234)	(1,994)	(3,241)	(2,375)	(7,791)	(8,108)	(7,341)	(5,756)
2	Employer Expenses	(5,104)	(240)	(2,753)	2,104	(5,227)	(3,098)	(1,432)	1,752
3	Employer Contributions/Payment	2,600	2,000	4,000	1,238	2,760	3,415	665	166
4	**Net Asset / (Liability) at the end of the year**	**(2,739)**	**(234)**	**(1,994)**	**(3,241)**	**(10,258)**	**(7,791)**	**(8,108)**	**(7,341)**
	Experience Adjustments:								
1	- On Plan Assets	(617)	1548	(1,121)	(59)	0	0	0	0
2	- On Plan Liabilities	(2,423)	(891)	296	(961)	(2,955)	(1,069)	968	(76)
	Actuarial Assumptions								
1	Discount Rate	8.00%	7.90%	7.70%	8.20%	8.00%	7.90%	7.70%	8.20%
2	Expected Rate of Return on Plan Assets	9.00%	9.00%	9.00%	9.00%	–	–	–	–

Schedule to the Accounts (Contd.)

* Past Service Cost has been accrued on account of increase in the Ceiling Limit of Gratuity under the Payment of Gratuity Act, 1972 .

Notes: Assumptions related to future salary increases, attrition, interest rate for discount and overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled

16) The company has been engaged in developing certain technology used for products related to Railways. It has been decided that these will be produced by its' wholly owned subsidiary, viz., Stone Intermodal (P) Ltd (subsidiary). Further, to the cost incurred in this respect earlier, which have been transferred to the subsidiary, the management has decided to recognize the cost for the current year as the cost for development of technology. Accordingly, Rs. 2,057 has been considered as intangible fixed assets as on 31st March' 2011.

17) The future obligation for vehicles taken on finance lease is given below:

Particulars	**As at 31st March, 2011**	As at 31st March, 2010
Not later than one year	**472**	473
Later than one year and not later than 5 years	—	472
Later than 5 years	—	—
	472	945
Less: Amount representing future interest	**83**	213
Present Value of minimum lease rentals	**389**	732

18) Loans and advances includes Rs. 53,797 (Previous Year Rs. 33,516,) recoverable from Stone Intermodal Private Limited (a subsidiary) being administrative and other costs allocated for the development of the product for "Rail Runner Project" to be undertaken by the said subsidiary.

19) The Company is engaged primarily in the business of "Rail Products" and all other activities are incidental thereto. Further, the company sells primarily in the domestic market where its operations are governed by the same set of risks and returns and the overseas sales are insignificant. Accordingly the separate primary and secondary segment reporting disclosure as envisaged in Accounting Standards (AS-17) on Segment Reporting is not applicable to the company.

20) The company is in the process of compiling information with regard to suppliers covered under Micro, Small and Medium Enterprise development Act, 2006. To the extent identified, the Company has no information from the suppliers under the Act and accordingly the disclosure as required in Section 22 of the said Act could not be given in these accounts.

21) All the numerical figures stated hereinabove has been expressed in terms of Rs. thousand.

22) Previous Year's figures have been re-arranged / re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A.Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Balance Sheet abstract and company's general business profile

ANNEXURE TO THE NOTES ON ACCOUNTS

Balance Sheet Abstract and Company's General Business Profile : Part-IV

(Rs. in '000)

I. Registration Details

Registration No.	L35201WB1931PLC006996	State Code	21
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilies	667965	**Total Assets**	667965
Source of Funds			
Paid-up Capital	76033	Reserve & Surplus	382272
Secured Loans	282200	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	384385	Investments	103
Net Current Assets	283477	Misc. Expenditure	NIL
Deferred Tax Liability			

IV. Performance of Company (Amount in Rs. Thousand)

Turnover (Net)/Including from other sources	926265	Total Expenditure	864728
Profit/(Loss) Before Tax	(+) 61537	Profit/(Loss) After Tax	(+) 45590
Earning Per Share (in Rs.) Basic	(+) 6.00	Recommended Dividend Rate (%)	NIL
Earning Per Share (in Rs.) Basic	(+) 6.00		

V. Generic Names of Three Principal Products/Services of company (as per monetary terms)

Item Code No. (ITC Code)	85015290
Product Description	ALTERNATOR
Item Code No. (ITC Code)	86072100
Product Description	AIR BRAKE
Item Code No. (ITC Code)	86079920
Product Description	AIR DRYERS

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman	A.Mondal	Managing Director & CEO
S. Ray	Director	S. Goswami	Sr. Vice President & CFO
Shrivardhan Goenka	Wholetime Director	D. Thakurta	Company Secretary

Kolkata, 2nd May, 2011

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956

1.	Name of the Subsidiary Company	:	STONE INTERMODAL PRIVATE LIMITED	
2.	Holding Company's Interest	:	Of the total subscribed capital of Rs. 1,00,000/- consisting of 10,000 Equity Shares of Rs. 10/- each, the entire 10,000 Equity Shares of Rs. 10/- each of the total nominal value of Rs. 1,00,000/- are held jointly by the Company with its two nominees.	
			For the year ended 31st March 2011 Rs.	For the year ended 31st March 2010 Rs.
3.	The net aggregate amount of Subsidiary's Profit/(Loss) not dealt with in the Company's Account :		**NIL**	NIL
4.	No part of the above Profit/(Loss) has been dealt with in the Company's Accounts.			

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A.Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Place : Kolkata
Date : 2nd May 2011

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts and Cash Flow Statement of the Company for the financial year ended 31st March, 2011.

OPERATIONS

The Company is in full swing of implementation of its projects. Though the commercial production has not been started yet. For this reason, no profit & loss account for the Financial Year ended on 31st March, 2011 has been prepared.

DIVIDEND

Your directors do not recommend any dividend for the year under report as no commercial production has been started by the Company

ENERGY CONSERVATION

Energy conservation measures are not applicable at present to the Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no foreign exchange earnings and foreign exchange outgo was Rs. 505.74 lacs reported for the Financial Year ended on 31st March, 2011. (Previous year : Nil)

DIRECTORS

Mr. Shrivardhan Goenka retires by rotation and, being eligible, offers himself for re-appointment.

PUBLIC DEPOSITS

Your Company has not invited and/or accepted any Public Deposits.

PERSONNEL

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

INDUSTRIAL RELATIONS

Industrial relations with all employees during the year was harmontous and cordial.

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 Board of Directors of the Company have recommended the re-appointment of Messrs Lodha & Co., Chartered Accountants having Registration no. 301051E alloted by The Institute of Chartered Accountants of India as Statutory Auditors of your Company to hold office from the conclusion of 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.

The Auditors observations are self explanatory and does not call for any further clarification.

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 Accounts for the Financial Year ended on 31st March, 2011, the applicable accounting standards had been followed along with the proper explanation relating to material departures;

ii) the directors had selected such accounting policies and applied them consistently and made judgments 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 year;

iii) the Directors have 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; and

iv) the Directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their appreciation for the valuable support and co-operation received from the Holding Company, Government, Indian Railways, Foreign Collaborators, employees at all levels etc., during the year under review.

For and on behalf of the Board

Place : Kolkata
Date : 2nd May, 2011.

A. Mondal
Director

Auditors' Report

TO THE MEMBERS

We have audited the attached Balance Sheet of **Stone Intermodal Private Limited** ('the Company') as at 31st March, 2011 and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order"), as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 ("the Act") and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that:

   i) The Company has no fixed assets and accordingly, clauses (i) (a) to (i) (c) of the Order are not applicable to the Company.

   ii) The Company has no inventory and accordingly, clauses (ii) (a) to (ii) (c) of the Order are not applicable to the Company.

   iii) Except for expenses allocated by the holding company for rail runner project, the Company has not taken/ granted any loans secured/unsecured to any companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   iv) As there is no purchase of inventories and fixed assets or any sale of goods, clause 4(iv) of the Order is not applicable to the Company.

   v) According to the information and explanations given to us and as per the records of the Company, there is no transaction that needs to be entered in the register required to be maintained under section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable to the Company.

   vi) The Company has not accepted any public deposits during the year. Accordingly, the provisions of clause 4(vi) of the Order is not applicable to the Company.

   vii) The requirement of internal audit system is not applicable to the Company.

   viii) Since the Company has not commenced its operation the requirement for maintenance of cost records is not applicable to the Company.

   ix) (a) According to the information and explanation given to us and as per the records of the Company provision relating to Investor Education and Protection Fund, Provident Fund, Employee State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Service Tax are not applicable during the year to the Company.

   (b) As given in Para (a) above, provisions of Clause 4 (ix)(b) of the Order is not applicable to the Company.

   x) The Company has been registered for a period of less than five years, thus the provisions of Clause 4(x) of the Order are not applicable to the Company.

   xi) The Company has no amounts due to financial institutions or debenture-holders or bank. Accordingly the provisions of clause 4(xi) of the Order are not applicable to the Company.

   xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Order are not applicable to the Company.

   xiii) In our opinion, the Company is not a Chit fund or Nidhi/ Mutual benefit funds/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

   xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

   xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions. Accordingly the provisions of Clause 4(xv) of the Order are not applicable to the Company.

   xvi) As per the information and explanations given to us, no term loan has been taken during the year.

   xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that no short term funds have been utilized for long term investments.

   xviii) The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.

   xix) The Company has not issued any debenture during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.

   xx) The Company has not raised money by public issue during the year. Accordingly, the provision of clause 4(xx) of the Order is not applicable to the Company.

   xxi) During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the Company, noticed and reported during the year, nor have we been informed of any such case by the management.

Auditors' Report (Contd.)

2. Further to above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and beliefs were necessary for the purpose of our audit.

   b) The Balance Sheet and Cash Flow Statement dealt with by this report is in agreement with the books of account.

   c) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.

   d) In our opinion, the Balance Sheet and Cash Flow Statement comply with the applicable accounting standards referred to in sub section 3(c) of Section 211 of the Act.

   e) On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of Sub sec (1) of Section 274 of the Act.

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the act in the manner so required and read together with other notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

      i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 and

      ii. in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For **Lodha & Co.**
Chartered Accountants
Firm ICAI Registration No. : 301051E

H. S. Jha
Partner
Membership No. 55854

Place: Kolkata
Date:2nd May, 2011

Balance Sheet as at 31st March, 2011

	SCHEDULE NO.	As at 31st March 2011 (Rs.)	As at 31st March 2010 (Rs.)
SOURCES OF FUNDS:			
Shareholders' Funds:			
Share Capital	1	**100,000**	100,000
TOTAL		**100,000**	100,000
APPLICATION OF FUNDS			
Fixed Assets:			
Capital Work In Progress (Refer Note B (1) of Schedule 5)		**93,843,577**	32,963,091
		93,843,577	32,963,091
Current Assets,Loans and Advances :			
Cash and Bank Balances	2	**330,734**	37,326,501
Loans & Advances	3	**56,765**	17,534
		387,499	37,344,035
Less: Current Liabilities and Provisions:			
Current Liabilities	4	**94,149,749**	70,225,799
Provision for Taxation	4	**54,181**	54,181
		94,203,930	70,279,980
Net Current Assets		**(93,816,431)**	(32,935,945)
Miscellaneous Expenditure (To the extent not written off or adjusted)		**72,854**	72,854
TOTAL		**100,000**	100,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	5		

The schedules referred to above form an integral part of the Financial Statement.

This is the Balance Sheet referred to in our Report of even date.

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

H S Jha
Partner

For and on behalf of
STONE INTERMODAL PRIVATE LIMITED

A. Mondal — Director

Shrivardhan Goenka — Director

Place: Kolkata
Date: 2nd May, 2011

Cash Flow Statement for the year ended 31st March, 2011

	For the Year ended 31st March 2011 (Rs.)	For the Year ended 31st March 2010 (Rs.)
CASH FLOW FROM OPERATING ACTIVITIES :		
Trade & other payables	**23,923,950**	55,852,177
Net Cash from operating activities	**23,923,950**	55,852,177
Tax (paid) / Refund received	**(39,231)**	(17,534)
	23,884,719	55,834,643
CASH FLOW FROM INVESTING ACTIVITIES :		
Increase in Capital Work In Progress	**(60,880,486)**	(18,608,142)
Net cash from investing activities	**(60,880,486)**	(18,608,142)
CASH FLOW FROM FINANCING ACTIVITIES:	**—**	—
Net increase In Cash & Cash equivalents	**(36,995,767)**	37,226,501
Cash & Cash equivalents at beginning	**37,326,501**	100,000
Cash & Cash equivalents at closing	**330,734**	37,326,501
Net Increase In Cash & Cash equivalents	**(36,995,767)**	37,226,501

1) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the " Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
2) Previous year's figures have been rearranged,where necessary.

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

H S Jha
Partner

For and on behalf of
STONE INTERMODAL PRIVATE LIMITED

A. Mondal — Director

Shrivardhan Goenka — Director

Place: Kolkata
Date: 2nd May, 2011

Schedule forming part of the financial Statement.

	As at 31.03. 2011 Rs.	As at 31.03. 2010 Rs.
SCHEDULE-1 SHARE CAPITAL		
Authorised :		
1,00,000 Equity Shares of Rs. 10 each	**1,000,000**	1,000,000
	1,000,000	1,000,000
Issued,Subscribed and Paid up :		
10000 Equity Shares of Rs.10 each; fully paid up Held by the Holding Company - M/s Stone India Limited and its nominees.	**100,000**	100,000
	100,000	100,000
SCHEDULE-2 CASH AND BANK BALANCES		
Cash In hand	**100,000**	100,000
Cash at Bank	**230,734**	37,226,501
	330,734	37,326,501
SCHEDULE-3 LOANS & ADVANCES		
Tax Deducted at Source	**56,765**	17,534
	56,765	17,534
SCHEDULE-4 CURRENT LIABILITIES AND PROVISION		
Current Liabilities :		
Advances Received: (Including Rs. 33,516,381 (Previous Year- Rs.14,348,622) from Holding Company)	**90,437,057**	70,156,381
Other Liability	**3,712,692**	69,418
	94,149,749	70,225,799
Provision :		
Provision for Taxation	**54,181**	54,181
	54,181	54,181
	94,203,930	70,279,980

Schedule to the Accounts (Contd.)

SCHEDULE 5 - NOTES ON ACCOUNTS

A) Significant Accounting Policies:

(a) Basis of Preparation of Financial Statements

The accounts have been prepared under the historical cost convention and in accordance with the provision of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

(b) Employee benefits:

Employee benefits are accrued in the period services are rendered by the employees.

Contribution to defined contribution schemes such as Provident Fund etc. are recognized as and when incurred.

(c) Expenditure during Construction Period

Expenditure related to and incurred during implementation of capital project is included under Capital Work-in-progress and the same is allocated to the respective Fixed Assets on completion of its construction / erection and commencement of commercial production.

(d) Miscellaneous Expenditure :

Preliminary expenses incurred by Company for formation will be amortised over a period of ten years after the commencement of commercial operations.

B. Notes to Accounts

1. Capital work-in-progress includes the following pre-operative expenses pending allocation incurred by the holding company and allocated for development of product for "Rail Runner Project" under implementation by the company:

	For the Year ended 31st March 2011 (Rs.)	For the Year ended 31st March 2010 (Rs.)
Opening Balance	**3,29,63,091**	1,43,00,768
Salary , Wages & Bonus	**62,48,622**	73,34,870
Contribution to provident funds	**2,85,815**	3,26,705
Rates & Taxes	**5,90,104**	3,500
Professional Charges	**69,99,467**	39,04,740
Audit Fees	**25,000**	25,000
Staff Welfare Expenses	**26,28,515**	14,78,307
Travelling & Conveyance	**48,60,744**	28,21,726
Interior Decoration	**1,65,648**	23,44,644
Misc Charges	**3,25,213**	5,43,993
Registration Fees to RDSO	**20,00,000**	—
Purchase of Fixed Assets	**9,88,101**	—
Technical Knowhow From Rail Runer	**3,57,60,000**	—
Bank Charges on Foreign Remittance	**47,944**	—
Foreign Exchange Loss	**– 44686**	—
Less: Interest received	—	1,75,342
(Gross of Tax deducted at source Nil, Previous Year Rs 17,534)		
Add: Provision for Taxation:		
– Current Tax	—	54,181
TOTAL	**9,38,43,578**	**3,29,63,091**

The above expenses will be given effect to depending upon nature thereof, on completion of the project.

2. **Related Party Disclosures:**

a) Parties where control exists-Holding Company
Stone India Limited

b) Statement showing details of AS-18 related transactions

				Holding Company (Rs.)	
				As on 31.03.11	As on 31.03.10
1.	**Transactions :**				
	Advance received : Stone India Limited			**2,02,80,678**	1,76,77,817
2.	**Balances as on 31st March, 2011:** Advance received Stone India Limited			**5,37,97,058**	3,35,16,380

Note: No amount in respect of Related Parties have been written off/back or provided for.

3. The expenses incurred other than those related to formation expenses have been included under capital work-in progress.
4. However, previous year's/period's figures have been re-arranged/re-grouped wherever necessary.

Signature to Schedules 1 to 5

For LODHA & CO.
Chartered Accountants

H S Jha
Partner

For and on behalf of
STONE INTERMODAL PRIVATE LIMITED

A. Mondal — Director

Shrivardhan Goenka — Director

Place : Kolkata
Date : 2nd May, 2011

Balance Sheet abstract and company's general business profile

Stone Intermodal Private Limited
Information pursuant to Part IV of Schedule VI to the Companies Act,1956

I. Registration Details :

Registration No. U51909WB2008PTC129960 State Code 21

Balance Sheet Date 31 (Date) 03 (Month) 2011 (Year)

II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilies	100	**Total Assets**	100
Source of Funds			
Paid-up Capital	100	Reserve & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	93844	Investments	NIL
Net Current Assets	–93816	Misc. Expenditure	73
Accumulated Assets	NIL		

IV. Performance of Company (Amount in Rs. Thousand)

Turnover/Including	NIL	Total Expenditure	NIL
Profit/(Loss) Before Tax	NIL	Profit/(Loss) After Tax	NIL
Earning Per Share	NIL	Dividend Rate (%)	NIL

V. Generic Names of Three Principal Products/Services of company

Item Code No. (ITC Code)
Product Description

For and on behalf of
STONE INTERMODAL PRIVATE LIMITED

A. Mondal Director

Kolkata, 2nd May, 2011

Shrivardhan Goenka Director

Consolidated Financial Statements

Auditors' Report

TO THE BOARD OF DIRECTORS OF STONE INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF STONE INDIA LIMITED AND IT'S SUBSIDIARY.

1) We have audited the attached Consolidated Balance Sheet of Stone India Limited ("the company") and its' subsidiary ("the Group") as at 31st March, 2011 and the Consolidated Profit & Loss account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in material respect, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" and on the basis of separate audited financial statements of the Company and its' subsidiary included in Consolidated Financial Statements.

4. *Attention is invited to the following Notes as given in Schedule 16 regarding:*

   a) *Rental demands on the Company amounting to Rs. 228.97 lacs, pending decision of the Court exact status of liability is presently not ascertainable. (Note B 7)*

   b) *Payment of managerial remuneration amounting to Rs. 18.82 lacs for the year is subject to approval of the Central Government. (Note B 6(b))*

5. *We further report that overall impact with respect to the Notes given in paragraph (4) above cannot be ascertained and commented upon by us.*

6. Based on our audit and on the basis of information and explanations given to us, we are of the opinion that the said Consolidated financial statements, *subject to our remarks given in para 4 above, whereby as given in para 5 above, we are unable to ascertain and indicate the impact thereof on these consolidated financial statements* and Note B18 of Schedule 16 *regarding non availability of details relating to Micro, Small and Medium Enterprise Development Act, 2006* and read together with the other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2011;

   b) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and

   c) in case of the Consolidated Cash Flow Statement, of the cash flows for the Group for the year ended on that date.

For **Lodha & Co.**
Chartered Accountants
Firm ICAI Registration No. : 301051E

H. S. Jha
Partner
Membership No. 55854

Place: Kolkata
Date:2nd May, 2011

Consolidated Profit & Loss Account for the year ended 31st March, 2011

(Rs in ' 000)

	SCHEDULE		For the Year ended 31st March 2011		For the Year ended 31st March 2010
INCOME					
Sales	1		**914,447**		940,053
Other Sources	2		**11,818**		5,732
			926,265		945,785
EXPENDITURE					
Consumption of materials	3		**519,833**		591,900
Expenses	4		**286,744**		244,510
Interest (net)	5		**40,666**		36,081
Depreciation	9	**26,475**		27,229	
Less: Transferred from Revaluation Reserve		**(9,149)**	**17,326**	(10,052)	17,177
			864,569		889,668
Profit/(Loss) before tax & exceptional item			**61,696**		56,117
Add: Prior Period Adjustment (Net)			**(159)**		—
Profit/(Loss) before tax and after prior period adjustments			**61,537**		56,117
Provision for tax :					
– Current Tax			**14,136**		10,034
– Deferred tax (Refer Note No.B 11 of Schedule 16)			**1,311**		2,182
– Income Tax relating to Earlier year			**500**		(168)
Profit/(Loss) after tax			**45,590**		44,069
Surplus/(Deficit) brought down			**45,590**		44,069
Appropriations :					
Surplus/(Deficit) brought forward			**45,590**		44,069
Transfer from/(to) General Reserve			—		—
Profit/(Loss) brought forward from previous year			**85,314**		41,245
Surplus carried to Balance Sheet			**130,904**		85,314
Earnings per share (Face Value Rs. 10/- each)					
– Basic			**6.00**		**5.80**
– Diluted			**6.00**		**5.80**
Notes to the Accounts	16				

The schedules referred to above form an integral part of the Profit & Loss account
This is the Profit & Loss Account referred to in our Report of even date

For **LODHA & COMPANY**
Chartered Accountants

H. S. Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Consolidated Balance Sheet as at 31st March, 2011

(Rs in ' 000)

	SCHEDULE		As at 31st March 2011		As at 31st March 2010
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	6	**76,033**		76,033	
Reserves & Surplus	7	**306,239**	**382,272**	310,253	386,286
Loan Funds:					
Secured Loans	8		**282,200**		253,836
Deferred Tax Liability (Net) (Refer Note No.B 11 of Schedule 19)			**3,493**		2,182
TOTAL			**667,965**		642,304
APPLICATION OF FUNDS					
Fixed Assets:	9				
Gross Block		**603,394**		653,548	
Less:Depreciation		**223,778**		230,306	
Less:impairment		**24,100**		24,100	
Net Block		**355,516**		399,142	
Add : CWIP		**122,713**	**478,229**	41,018	440,160
Investments	10		**3**		3
Current Assets,Loans & Advances:					
Inventories	3	**201,817**		152,986	
Sundry Debtors	11	**250,949**		236,519	
Cash & Bank Balances	12	**22,383**		60,776	
Other Current Assets	13	**19,804**		19,475	
Loans & Advances	14	**96,785**		70,058	
		591,738		539,814	
Less:Current Liabilities & Provisions:					
Liabilities	15	**355,880**		305,684	
Provisions	15	**46,198**		32,062	
		402,078	**189,660**	337,746	202,068
Miscellaneous Expenditure (To the extent not yet written off nor adjusted)			**73**		73
TOTAL			**667,965**		642,304
Notes to the Accounts	16				

The schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our Report of even date.

For **LODHA & COMPANY**
Chartered Accountants

H. S. Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Cash Flow Statement for the year ended 31st March, 2011 (Consolidated)

(Rs in ' 000)

		For the Year ended 31.03. 2011	For the Year ended 31.03. 2010
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/ (Loss) before tax and after exceptional items	**61,537**	56,117
	Adjustment for:		
	Depreciation	**17,326**	17,177
	Profit/Loss on Sale of Fixed Assets	**(6,863)**	(41)
	Interest received	**(581)**	(508)
	Interest paid	**41,247**	36,589
	Provision for doubtful debts	**800**	-
	Provision for LD & Warranty		1,000
	Foreign Exchange Fluctution Gain	**(727)**	(3,475)
	Foreign Exchange Fluctution Loss	**3,465**	1,185
	Bad Debt Written off	**101**	47,557
	EMD written off	**—**	5,140
	Provision/Liabilities no longer required written back (including exceptional items)	**(3,819)**	(39,956)
	Irrecoverable Balances Written Off	**544**	—
	Operating Profit before working capital changes	**113,030**	120,785
	Adjustment for:		
	Trade & other receivables	**(32,586)**	(46,407)
	Inventories	**(48,831)**	(14,361)
	Trade & other payables	**54,014**	20,143
	Cash generated from operation	**85,627**	80,160
	Foreign Exchange Fluctuation Loss (net of gain)	**(2,738)**	2,290
	Cash flow before extraordinary items	**82,889**	82,450
	Taxes (paid) / Refund received	**(10,994)**	1,254
	Net Cash from operating activities	**71,895**	83,704
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(23,305)**	(126,787)
	Sale of Fixed Assets	**6,863**	41
	Decrease / (Increase) in Capital WIP	**(81,694)**	97,127
	Interest received	**731**	
	Net Cash used in Investment Activities	**(97,405)**	(29,619)

Cash Flow Statement for the year ended 31st March, 2011 (Consolidated) (Contd.)

(Rs in ' 000)

	For the Year ended 31.03. 2011	For the Year ended 31.03. 2010
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	**(41,247)**	(36,589)
Increase/(Decrease) in borrowings	**28,364**	20,175
Net Cash used in Financing Activities	**(12,883)**	(16,414)
Net increase in Cash & Cash equivalents	**(38,393)**	37,671
	—	—
Cash & Cash equivalents at beginning	**60,776**	23,105
Cash & Cash equivalents at closing	**22,383**	60,776
Net increase in Cash & Cash equivalents	**(38,393)**	37,671

Notes:

1) The above Cash Flow Statement has been compiled / prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
2) Cash and Bank balance includes Rs 16,893 (previous year Rs 20,071) which are under lien or are not freely available.
3) Previous year's figures have been rearranged , where necessary.

As per our attached report of even date
For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Schedule to the Accounts

(Rs in ' 000)

	For the Year ended 31.03.2011	For the Year ended 31.03.2010
SCHEDULE 1 - SALES		
Gross Sales :		
Inland	**997,207**	1,009,228
Export	**7,268**	4,863
	1,004,475	1,014,091
Less : Excise Duty	**90,028**	74,038
Net Sales	**914,447**	940,053
SCHEDULE 2 - INCOME FROM OTHER SOURCES		
Foreign Exchange Gain	**727**	3,475
Profit on Sale of Fixed Assets	**6,863**	41
Liabilities no longer required, written back	**3,819**	1,695
Miscellaneous Receipts	**409**	521
	11,818	5,732
SCHEDULE 3 - CONSUMPTION OF MATERIALS		
(a) Opening Stock		
Raw Materials	**98,370**	80,913
Work in Progress	**46,896**	51,175
Finished Goods	**7,720**	6,537
	152,986	138,625
Add: Purchases	**554,769**	589,855
Duty, Landing & Clearing	**15,903**	18,774
	723,658	747,254
Deduct: Closing Stock		
Raw Materials	**133,708**	98,370
Work in Progress	**60,524**	46,896
Finished Goods	**7,585**	7,720
	201,817	152,986
	521,841	594,268
Deduct : Sale of Scraps	**2,008**	2,368
	519,833	591,900

Schedule to the Accounts (Contd.)

(Rs in ' 000)

	For the Year ended 31.03. 2011	For the Year ended 31.03. 2010
SCHEDULE 4 - EXPENSES		
Salaries, Wages and Bonus	**114,951**	94,469
Contribution to Provident and Superannuation Funds	**9,228**	6,944
Gratuity	**5,104**	241
Staff Welfare	**11,304**	10,835
Consumption of Stores	**31,351**	23,864
Power and Fuel	**11,458**	10,895
Insurance	**550**	570
Rent (Net)	**4,322**	3,005
Selling & Distribution Expenses	**7,890**	8,071
Commission	**4,921**	—
Rates & Taxes	**1,553**	901
Business Development Expenses	**627**	504
Legal & Professional Fees	**12,467**	6,981
Auditors Remuneration	**488**	488
Repairs :		
Buildings	**1,453**	811
Plant & Machinery	**411**	461
Others	**3,847**	3,187
Freight & Transport	**17,650**	19,373
Travelling & Conveyance	**15,805**	12,151
Postage, Telephone & Stationery	**7,163**	7,827
Provision for bad debts & Others	**800**	—
Provision for bad debts & Doubtful debt no longer required , now written back	—	(35,419)
Provision for Earnest Money Deposit no longer required , now written back	—	(2,842)
Bad debt written off	**101**	47,557
Earnest Money Deposit written off	—	5,140
LD & Warranty	—	1,000
Irrecoverable Balances written off	**544**	—
Royalty	**1,755**	1,978
Foreign Exchange Loss	**3,465**	1,185
Miscellaneous Expenses	**17,536**	14,333
	286,744	244,510
SCHEDULE 5 - INTEREST		
Interest on Loans	**5,505**	4,608
Interest on Bank Overdraft etc.	**30,586**	27,737
Acceptances discounting charges	**2,097**	—
Interest on others	**2,929**	4,040
Car Lease Finance Charges	**130**	204
	41,247	36,589
Less:Interest Received on Deposits & Others	**581**	508
(Gross of Tax Deducted at Source Rs.23, Previous year Rs. 76)		
	40,666	36,081

Schedule to the Accounts (Contd.)

(Rs in ' 000)

SCHEDULE 6 - SHARE CAPITAL	As at 31.03. 2011	As at 31.03. 2010
AUTHORISED: 100,00,000 Equity Shares of Rs. 10/- each	**100,000**	100,000
ISSUED: 76,67,963 Equity Shares of Rs. 10/- each (Previous year 76,67,963 Equity Shares of Rs. 10/- each)	**76,679**	76,679
SUBSCRIBED: 75,28,999 Equity Shares of Rs. 10/- each (Previous Year 75,28,999 Equity Shares of Rs.10/- each)	**75,965**	75,965
Add : 13,600 Equity Shares of Rs. 10/- each (Previous Year 13,600 Equity Shares of Rs.10/- each) Rs.5/- Paid on application & forfeited	**68**	68
10,000 Equity Shares of Rs.10/- each fully paid up	—	—
	76,033	76,033

Note: 3,75,700 Shares were issued for consideration other than cash. 15,87,253 Shares were alloted as fully paid up by way of Bonus Shares by capitalisation of General Reserves.

SCHEDULE 7 - RESERVES AND SURPLUS		As at 31.03. 2011		As at 31.03. 2010
Capital Investment Subsidy Reserve		**2,000**		2,000
Capital reserve in terms of the scheme of arrangement Transfer to Profit & Loss Account on revaluation of fixed assets	**55,873**		65,925	
– Being depreciation on revalued assets	**(9,149)**		(10,052)	
Transferred from Fixed Assets on Sale	**(40,455)**	**6,269**	—	55,873
Other Reserve		**53**		53
Share Premium account :		**107,457**		107,457
General Reserve		**59,556**		59,556
Surplus as per Profit & Loss Account		**130,904**		85,314
		306,239		310,253

SCHEDULE 8 - SECURED LOANS	As at 31.03. 2011	As at 31.03. 2010
Loan from Industrial Development Bank of India (IDBI)	—	9,957
Cash Credit from Banks	**205,077**	226,820
Loan from Orix Auto Infrastructural Services Ltd	**6,929**	16,327
Finance lease obligation to Orix Auto Infrastructural Services Ltd	**389**	732
Interest Accrued and Due	—	—
Term Loan from Indian Overseas Bank	**69,805**	—
	282,200	253,836

Cash Credit from Banks are secured by way of hypothecation of stocks and book debts and are further secured by way of a second charge on the fixed assets of the Company on a pari pasu basis.

Loan taken from Orix Auto Infrastructural Services Ltd is secured against Plant & Machinery acquired against the said loan.

Finance Lease obligation is secured against Cars taken on Finance Lease.

Loan taken from Indian Overseas Bank is secured by exclusieve 1st charge on Land & Factory Building of Nalagarh and further secured by a paripassue 1st charge on the entire current assets both present & future of Nalagarh unit.

Schedule to the Accounts (Contd.)

SCHEDULE 9 - FIXED ASSETS

(Rs in ' 000)

	Gross Block At Cost					Impairment			Depreciation					Net Block	
	As at 01.04.10	Additions during the year ended 31.03.11	Sales/ Adjustment during the year ended 31.03.11	Sales/ Adjustment during the year ended 31.03.11 (Revalued Figure)	As at 31.03.11	As at 01.04.10	For the year ended 31.03.11	As at 31.03.11	As at 01.04.10	Sales/ Adjustment for the year ended 31.03.11	Sales/ Adjustment for the year ended 31.03.11 (Revalued Figure)	For the year ended 31.03.11	As at year 31.03.11	As at 31.03.11	As at 31.03.10
A. TANGIBLE ASSETS:															
Leasehold Land & Buildings	15,072	–	–		15,072	–	–	–	4,681	–		198	4,879	10,193	10,391
Freehold Land & Buildings	12,429	–	–		12,429	–	–	–	1,449	–		200	1,649	10,780	10,980
Freehold Land at Buddy	12,741	–	–		12,741	–	–	–	–	–		–	–	12,741	12,741
Freehold Building at Buddy	35,988	6,849	–		42,837	–	–	–	536	–		612	1,148	41,689	35,452
Plant & Machinery	484,400	12,394	24,999	48,460	423,335	24,100	–	24,100	174,249	24,999	8,004	16,646	157,892	241,343	286,051
Furniture Fittings & Electrical Installations	49,521	1,057	–		50,578	–	–	–	31,336	–		3,347	34,683	15,895	18,185
Vehicles	1,373	–	–		1,373	–	–	–	956	–		56	1,012	361	417
Tools	24,913	238	–		25,151	–	–	–	9,149	–		2,118	11,267	13,884	15,764
Leasehold Vehicle	1,741	–	–		1,741	–	–	–	495	–		165	660	1,081	1,246
B. INTANGIBLE ASSETS:															
Technical Know How	7,967	–	–		7,967	–	–	–	5,218	–		1,166	6,384	1,583	2,749
Computer Software	7,403	710	–		8,113	–	–	–	2,237	–		1,967	4,204	3,909	5,166
Inhouse Technology	–	2,057	–		2,057	–	–	–	–	–		–	–	2,057	–
Total	653,548	23,305	24,999	48,460	603,394	24,100	–	24,100	230,306	24,999	8,004	26,475	223,778	355,516	399,142
Add: Capital Work-in-Progress														122,713	41,018
														1478,229	440,160
Previous Year	527,120	126,787	359		653,548	24,100	–	24,100	203,436	359		27,229	230,306	440,160	

1. The Deed Of Conveyance/Registration relating to building at Gopalpur, Orissa is in the process of being executed by the Company and the stamp duty payable in respect thereof will be accounted for on assessment. However , the said property is in the Company possession.
2. Fixed Assets include flat at New Delhi in which the Company has one - third ownership share and is in the Company's joint possession.
3. Furniture, fittings and Electrical installations includes computer & computer peripherals.
4. Depreciation on Fixed Assets has been provided on straight line method from the date these are put to use at specified rates as under:

	Year Ended 31.03.2011	Year Ended 31.03.2010
Freehold Buildings	**1.63%**	1.63%
Leasehold Factory Buildings	**3.34%**	3.34%
Plant & Machinery :		
Single Shift	**4.75%**	4.75%
Furniture & Fittings	**6.33%**	6.33%
Office Equipment	**13.91%**	13.91%
Airconditioner	**13.91%**	13.91%
Computer	**16.21%**	16.21%
Electrical Installation	**13.91%**	13.91%
Cycles	**7.07%**	7.07%
Other Vehicles	**9.50%**	9.50%
Technical Khow How Fees	**25.00%**	25.00%
Tools	**11.31%**	11.31%

* Items below Rupees Five thousand each have been depreciated at hundred percent.

Schedule to the Accounts (Contd.)

(Rs in ' 000)

	As at 31.03. 2011	As at 31.03. 2010
SCHEDULE 10 - INVESTMENTS		
LONG TERM INVESTMENTS		
UNQUOTED - AT COST (TRADE)		
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	3	3
	3	3
SCHEDULE 11 - SUNDRY DEBTORS		
(Unsecured-considered good unless otherwise stated)		
Over Six Months		
– Considered good	57,361	61,177
– Considered Doubtful	800	—
Other debts		
– Considered good	193,588	175,342
	251,749	236,519
Less : Provision for doubtful debts	800	—
	250,949	236,519
SCHEDULE 12 - CASH AND BANK BALANCES		
Cash in hand	1,779	1,551
With Scheduled Banks on :		
– Current Accounts	3,102	38,076
– Dividend Accounts	609	611
– Debenture Interest Accounts	—	223
– Unutilised Share Application Money	—	244
– Margin Money Deposit	9,285	11,140
– Fixed Deposit	7,608	8,931
	22,383	60,776
SCHEDULE 13 - OTHER CURRENT ASSETS		
Deposit with customers/others (Considered good)	19,546	19,067
– Interest Receivable	258	408
	19,804	19,475
SCHEDULE 14 - LOANS AND ADVANCES		
Loans and Advances recoverable in cash or in kind or for value to be received		
Unsecured - considered good	68,412	52,179
– Considered doubtful	6,520	6,520
Advance payment of Income Tax	28,373	17,879
	103,305	76,578
Less : Provision	6,520	6,520
	96,785	70,058

Schedule to the Accounts (Contd.)

(Rs in ' 000)

	As at 31.03. 2011	As at 31.03. 2010
SCHEDULE 15 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
Acceptance	**5,000**	—
Sundry Creditors* (Refer Note B 18 of Schedule 16)	**218,726**	202,467
Book Overdraft	**1,462**	—
Liability for Gratuity	**2,739**	234
Other Liabilities**	**127,428**	102,370
Unclaimed Debenture Interest**	—	86
Unpaid Dividend	**525**	527
	355,880	305,684

* Amount due to creditors include Rs.44,575 due to small scale industries as at 31st March' 2011(Previous Year Rs. 39,652)

** These amount are not yet due to be credited to Investors Education & Protection Fund.

Provisions:		
Current Tax	**36,924**	22,788
Fringe Benefit Tax	**2,790**	2,790
Provision for LD & Warranty	**6,484**	6,484
	46,198	32,062
	402,078	337,746

Schedule to the Accounts (Contd.)

SCHEDULE 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(A) Accounting Policies

1. Principles of Consolidation

1.1 The Consolidated Financial Statements of Stone India Limited ("the Company") and the Subsidiary Company ("Subsidiary") have been prepared in accordance with Accounting Standard (AS 21) on "Consolidated Financial Statements". The basis of preparation of the Consolidated Financial Statements is as follows:

- The financial statements (the Balance Sheet and the Profit & Loss Account) of the Company and the Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions if any and the resulting unrealized profits or losses.
- The financial statement of the subsidiary used in the consolidation is drawn upto 30th Sept' 2010, the same reporting date as that of the Company.

1.2 The Subsidiary which has been included in this Consolidated Financial Statements along with the Company's holdings therein are under:

No.	Name of the Company	Country of Incorporation	% Voting Power	Date of acquisition
1.	Stone Intermodal Private Limited	India	100%	15th October, 2008

2. Basis of Preparation of Financial Statements

The accounts have been prepared under the historical cost convention and in accordance with the provision of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

3. Sales

Sales (net of returns, etc.) comprise sale of goods which are accounted for on the basis of despatches within the financial period and income from installation charges/job works which are recognized on acceptance by customers.

4. Employee benefits

Employee benefits are accrued in the period services are rendered by the employees.

Contribution to defined contribution schemes such as Provident Fund etc. are recognized as and when incurred.

Long term employee benefits under defined benefit scheme such as contribution to gratuity, leave etc. are determined at close of the financial year at present value of the amount payable using actuarial valuation techniques.

Actuarial gains and losses are recognised at the end of the period when they arise.

5. Fixed Assets and Depreciation

a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Schedule 12 to the Accounts. Leasehold land is amortized over the period of lease.

b) In case of revaluation of Fixed Assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to Capital Reserve.

c) Depreciation on assets revalued is calculated on their respective book values on Straight Line Method based on useful life either assessed technically or derived with respect to the rates specified in Schedule XIV to the Companies Act, 1956. The additional charge of depreciation on account of revaluation is deducted from the Capital Reserve and credited to the Profit & Loss Account.

6. Expenditure during Construction Period

Expenditure related to and incurred during implementation of capital project is included under Capital Work-in-progress and the same is allocated to the respective Fixed Assets on completion of its construction / erection and commencement of commercial production.

7. Impairment

Fixed Assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of the fixed assets is determined. An impairment loss is recognized whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater

Schedule to the Accounts (Contd.)

of asset's net selling price or its value in use. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased.

8. Inventories

a) Inventories are valued at the lower of cost or estimated net realizable value. Cost is determined on first in first out method of valuation.

b) Cost of raw materials and bought out components are determined on the basis of first in first out method of valuation.

c) Work-in-progress is valued at direct material cost, direct labour cost and allocable direct/indirect production overheads. Labour cost is determined by applying normal labour hour rates on equivalent completed production hours as estimated by the Technical Department.

d) Finished Goods are valued after considering appropriate portion of allocable overhead considered relatable to production directly or indirectly. Allocable overheads have been determined on actual/pro-rata basis with reference to the aggregate overheads of the Company.

e) Provision is made for slow-moving and obsolete inventories.

9. Taxes on income

Provision for tax is made for current and deferred. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent years are recognised using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

10. Investments

Long term Investments are accounted for at cost less any permanent diminution in value.

11. Foreign Currency:

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign Currency monetary assets and liabilities at the quarter end are translated using the closing exchange rates. The loss or gain thereon and also on the exchange differences on the settlement of the foreign currency transactions during the quarter are recognized as income or expenses.

12. Use of Estimates, Provisions, Contingent Liabilities and Contingent Assets

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures related to contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known / materialized.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are disclosed by way of notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statement.

13. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as the part of the cost of that asset.

14. Provision for liquidated damages and warranty costs

a) Provision for liquidated damages in terms of agreement with customers is made as estimated based on merit and probability of its occurrence.

b) Product warranty costs are accrued in the quarter of sale as estimated based on past experience.

15. Finance Lease

Assets acquired on finance leases are capitalised and a corresponding liability disclosed as lease obligations under "Secured Loans". Such assets are capitalised at fair values or present value of minimum lease payments, whichever is lower, at the inception of the lease term and disclosed as leased assets. Rentals paid by the Company are apportioned between the finance charge and as a reduction of the outstanding liability. Finance charge reflects a constant periodic rate of interest of the remaining balance of liability for each period.

Schedule to the Accounts (Contd.)

B. NOTES ON ACCOUNTS

	2010-11	2009-10
1) Commitments on Capital Accounts (net of advances)		
– Tangibles	5,253	2,124
– Intangibles	18,870	18,870
2) Contingent Liabilities to the extent quantified:		
Claims against the Company not acknowledged as debts:		
– in respect of Sales tax matters in dispute	4,501	5,974
– in respect of Income matters in dispute	1,348	1,607
– demand raised by technology supplier for which the arbitration award is awaited	15,600	—

3) a) Work-in-Progress arrived at after conversion of stocks at various stages of completion to equivalent completed production hours, which have been valued at normal labour hour rates and allocated overheads apart from the material cost.

b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The productions overhead have been allocated on actuals/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on technical management estimates, the auditors have relied upon the same.

4) Certain debit and credit balances including debtors, creditors, loans and advances are subject to confirmation and reconciliation arising there from.

5) Capital work-in-progress includes the following pre-operative expenses pending allocations incurred by the company and allocated for development of product for "Rail Runner Project" under implementation by the subsidiary:

Particulars	**2010-11**	2009-10
Opening Balance	**32,963**	14,301
Salary , Wages & Bonus	**6,248**	7,335
Contribution to provident funds	**285**	326
Rates & Taxes	**590**	3
Professional Charges	**6,999**	3,905
Audit Fees	**25**	25
Staff Welfare Expenses	**2,629**	1,478
Travelling & Conveyance	**4,861**	2,822
Interior Decoration	**167**	2,345
Misc Charges	**326**	544
Registration Fees to RDSO	**2,000**	—
Purchase of Fixed Assets	**988**	—
Technical Knowhow From Rail Runer	**35,760**	—
Bank Charges on Foreign Remittance	**48**	—
Foreign Exchange Loss	**– 45**	—
Less: Interest received (Gross of Tax deducted at source Nil, Previous Year Rs 17,534, Previous quarter Rs Nil	—	175
Add: Provision for Taxation:		
– Current Tax	—	54
TOTAL	**93,844**	32,963

The above expenses will be given effect to depending upon nature thereof, on completion of the project.

Schedule to the Accounts (Contd.)

6) a) **Auditors' remuneration paid/payable for the Quarter/Nine months ended :**

	Year ended 31.03.2011	Year ended 31.03.2010
Audit Fees (Included in pre-operative exp Rs 25, Previous year Rs 25)	**175**	175
In Other Capacity: Certificate etc. including quarterly audit fees	**338**	338
	513	513

b) **Managerial Remuneration:**

	2010-11	2009-10
Remuneration	**13,824**	9,554
Perquisite	**278**	366
Total	**14,102**	9,920

- excluding monetary value of accrued leave and Company's contribution to Gratuity Fund in respect of managerial personnel in employment at the end of the year.
- Remuneration amounting to Rs. 1,882 payable to the Managing Director is pending approval of the Central Government.

7) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous Year Rs. 22,897) on leasehold land from Calcutta Port Trust in the earlier years, the Company has preferred a Special Leave Petition in Hon'ble Supreme Court against the judgment of Hon'ble High Court on the matter. The Supreme Court has referred the said matter to the Calcutta High Court for a fresh decision on merit. Pending decision of the Court, provision amounting to Rs. 9,448 made their against has been considered adequate by the management.

8) The Company has made full provision for dues to the ESI authorities arising out of the ESI Central) – 2nd Amendment Rules, 1996 which could not be deposited with the ESI authorities because of a stay order issued by the Calcutta High Court on 25 April, 1997. Upon appeal by the department, the stay order was set aside by the Division Bench of the Calcutta High Court on 16 March, 2004. In 2009-10, the company received a claim of Rs. 3,317 for the year ended 31st March 2002 against which it had deposited Rs 1,306 and adjusted the opening liability to that extent. The balance liability has been carried forward pending final decision and determination of liability in this respect and the same has been considered to be adequate.

9) **Earnings per share**

	2010-11	2009-10
a) Net Profit/(Net Loss) attributable to equity holders (in Rs.)	45,590	44,069
b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	76,03,299	76,03,299
c) Basic and Diluted Earnings per share in Rs.(Face value Rs 10/- per share) (a)/(b)	6.00	5.80

10) The Company has deferred tax asset on account of carried forward losses, unabsorbed depreciation and provision for bad debts. However deferred tax assets have been recognized only to the extent of deferred tax liability. The break-up of deferred tax assets and liabilities are as follows :

	As on 1st April 2010	(Charges)/ Credit during the year 31.03.11	As on 31st March 2011
Deferred Tax Assets :			
Unabsorbed Depreciation	8,656	2,884	11,540
Provision for leave	2,408	920	3,328
Provision for gratuity	72	817	889
	11,136	**4,621**	**15,757**
Deferred Tax Liabilities :			
Depreciation Difference	(13,318)	(5,932)	(19,250)
Net Deferred Tax Asset/(Liabilities)	**(2,182)**	**(1,311)**	**(3,493)**

Schedule to the Accounts (Contd.)

12) **Related Party Disclosures:**

Related parties with whom the Company had transactions, etc.

(i) Enterprise where control exists : Stone Intermodal Private Limited (Subsidiary)

(ii) Associates:

i. Duncans Tea Limited
ii. Odyssey Travels Limited
iii. Shubh Shanti Services Limited
iv. Andhra Cements Limited
v. NRC Limited
vi. Sewand Investments Pvt. Ltd
vii. Dail Consultants Ltd
viii. Duncan Industries Ltd
ix. Kavita Marketing Pvt. Ltd.

(iii) Key Management Personnel (KMP)

A. Mondal : Managing Director & CEO

S. V. Goenka : Wholetime Director

(iv) Relative of director/KMP : Mrs. Indu Goenka

The parties listed in (ii) above though are not required to be disclosed as per requirements of AS-18, these have been included hereinabove in view of the requirement of Clause 32 of the Listing Agreement.

Statement showing details of AS - 18 related transactions.

(i) Transactions with Associate Companies:

		Year ended 31.03.11	Year ended 31.03.10
A.	**Transactions**		
	Purchase of Service/Other :		
	Odyssey Travel Ltd	**696**	792
B.	**Balance at the end of the year**		
	Advance Given		
	Duncan Industries Limited	**283**	283
	Odyssey Travel Ltd	**32**	—
	Creditors/Payables		
	Odyssey Travel Ltd	—	69
	ISG Traders	—	—
	Sewand Investments Pvt Ltd	**10**	10

(ii) Transactions with key management personnel

	Year ended 31.03.11	Year ended 31.03.10
Mr. Amitava Mondal	**10,902**	6,887
Mr. S.V. Goenka	**3,200**	3,033

Schedule to the Accounts (Contd.)

Notes:

In respect of above parties, there is no provision for doubtful debts as on 31st March, 2011 and no amount has been written off or written back during the quarter/half year in respect of debts due from/to them.

The above Related Party information is as identified by the Management and relied upon by the auditors.

12) Carrying value of Fixed Assets of the Colour Monitor Unit at Kustia Road being affected

due to obsolescence, was considered for impairment as on 1st April, 2004 and Rs. 24100 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.

13) In terms of the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Assets, details of provisions for Liquidated Damages and Warranty are as follows:

	Opening Balance as on 01.04.10	**Further provision**	**Provision Adjusted**	**Closing Balance as on 31.03.11**
Provision for liquidated damages	434	—	—	434
Provision for warranty	6,050	—	—	6,050
Total	6,484	—	—	6,484

Provisions made in earlier years in view of the management is sufficient and therefore, no further provision with respect to these has been considered.

14) Certain plant and machineries and land and building of the company as on 31.12.2001 and 01.01.2007 were revalued by the approved valuers on net replacement cost basis and fair value basis respectively and surplus of Rs. 424,965 arising there from was credited to Revaluation Reserve. Depreciation includes additional charge of Rs. 9,213 for the year ended 31st March, 2011 (Previous year Rs. 10,052) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.

15) Employee Benefits:

The disclosures required under Accounting Standard 15 “Employee Benefits” notified in the Companies (Accounting Standards) Rules, 2006, are given below :

Defined Contribution Scheme :

Contribution to Defined Contribution Plan , recognized for the year are as under :

Employer’s Contribution to Provident Fund- Rs. 3,335

Employer’s Contribution to Pension Fund – Rs. 2,408

Employer’s Contribution to Superannuation Fund- Rs. 1,305

Defined Benefit Scheme

The employee’s gratuity fund scheme is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as gratuity.

		Gratuity (Funded)				**Leave Encashment (Non Funded)**			
	Particulars	**31/03/11**	**31/03/10**	**31/03/09**	**31/03/08**	**31/03/11**	**31/03/10**	**31/03/09**	**31/03/08**
1	Current Service Cost	1,420	1,364	1,206	1,034	1,851	1,662	1,487	1,210
2	Interest Cost	1,603	1,407	1,328	1,112	506	493	575	465
3	Expected return on plan assets	(1,922)	(1,555)	(1,346)	(1,063)	—	—	—	—
4	Past Service Cost *	1,148	—	—	—	—	—	—	—
5	Actuarial Losses/(Gains)	2,855	(975)	1,565	1,020	2,870	(943)	(630)	76
	Total Expenses	**5,104**	**241**	**2,753**	**2,104**	**5,227**	**3,098**	**1,432**	**1,751**

Schedule to the Accounts (Contd.)

Change in the obligation during the year ended March 31, 2011

1	Present value of Defined Benefit Obligation at the beginning of the year	21,157	18,733	16,644	13,591	7,791	8,108	7,341	5,756
2	Current Service Cost	1,420	1,364	1,206	1,034	1,851	1,662	1,487	1,210
3	Interest Cost	1,603	1,407	1,328	1,112	506	493	575	465
4	Benefit Paid	(1,723)	(919)	(889)	(54)	(2,760)	(3,415)	(665)	(166)
5	Actuarial (Gains)/Losses	2,238	572	444	961	2,870	943	(630)	76
6	Planned Amendment Cost *	1,148	—	—	—	—	—	—	—
	Present value of Defined Benefit Obligation at the end of the year	**25,843**	**21,157**	**18,733**	**16,644**	**10,258**	**7,791**	**8,108**	**7,341**

Change in Assets during the year ended March 31, 2011

1	Plan Assets at the beginning of the year	20,923	16,739	13,403	11,216	—	—	—	—
2	Contribution by Employer	2,600	2,000	4,000	1,238	2,760	3,415	665	166
3	Expected return on plan assets	1,923	1,555	1,346	1,063	—	—	—	—
4	Benefit Paid	(1,723)	(919)	(889)	(54)	(2,760)	(3,415)	(665)	(166)
5	Actuarial Gains/(Losses)	(617)	1,548	(1,121)	(59)	—	—	—	—
	Plan Assets at the end of the year	**23,105**	**20,923**	**16,739**	**13,403**	—	—	—	—

Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2011

1	Net Asset/(Liability) at beginning of the year	(234)	(1,994)	(3,241)	(2,375)	(7,791)	(8,108)	(7,341)	(5,756)
2	Employer Expenses	(5,104)	(240)	(2,753)	2,104	(5,227)	(3,098)	(1,432)	1,752
3	Employer Contributions/Payment	2,600	2,000	4,000	1,238	2,760	3,415	665	166
4	**Net Asset/(Liability) at the end of the year**	**(2,739)**	**(234)**	**(1,994)**	**(3,241)**	**(10,258)**	**(7,791)**	**(8,108)**	**(7,341)**
	Experience Adjustments:								
1	– On Plan Assets	(617)	1548	(1,121)	(59)	0	0	0	0
2	– On Plan Liabilities	(2,423)	(891)	296	(961)	(2,955)	(1,069)	968	(76)
	Actuarial Assumptions								
1	Discount Rate	8.00%	7.90%	7.70%	8.20%	8.00%	7.90%	7.70%	8.20%
2	Expected Rate of Return on Plan Assets	9.00%	9.00%	9.00%	9.00%	—	—	—	—

* Past Service Cost has been accrued on account of increase in the Ceiling Limit of Gratuity under the Payment of Gratuity Act, 1972 .

Note: Assumptions related to future salary increases, attrition, interest rate for discount and overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled

16) The company is engaged primarily in the business of " Rail Products" and all other activities are incidental thereto. Further, the company sells primarily in the domestic market where its operations are governed by the same set of risks and returns and the overseas sales are insignificant. Accordingly the separate primary and secondary segment reporting disclosure as envisaged in Accounting Standards (AS-17) on Segment Reporting is not applicable to the Company.

Schedule to the Accounts (Contd.)

17) The future obligation for vehicles taken on finance lease is given below:

Particulars	**As at 31st March, 2011**	As at 31st March, 2010
Not later than one year	**472**	473
Later than one year and not later than 5 years	—	472
Later than 5 years	—	—
	472	945
Less: Amount representing future interest	**83**	213
Present Value of minimum lease rentals	**389**	732

18) The company is in the process of compiling information with regard to suppliers covered under Micro, Small and Medium Enterprise development Act, 2006. To the extent identified, the Company has no information from the suppliers under the Act and accordingly the disclosure as required in Section 22 of the said Act could not be given in these accounts.

19) The expenses incurred other than those related to formation expenses have been included under capital work-in progress.

20) All the numerical figures stated hereinabove has been expressed in terms of thousand.

21) Previous Year's figures have been re-arranged/re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

H. S. Jha
Partner

Place : Kolkata
Date : 2nd May, 2011

For and on behalf of **STONE INDIA LIMITED**

G.P. Goenka	Chairman
S. Ray	Director
Shrivardhan Goenka	Wholetime Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
D. Thakurta	Company Secretary

Stone India Limited
16, Taratalla Road, Kolkata-700 088