

NOTICE

NOTICE is hereby given that the **EIGHTY-SECOND ANNUAL GENERAL MEETING** of the Members of **Stone India Limited** will be held on Friday, the 28th day of September, 2012 at 11.00 A.M. at Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata- 700 017 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 2012 and the Balance Sheet of the Company as at that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ashwani Kumar Goswami, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Aniket Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Lodha & Co., Chartered Accountants, Auditors of the Company, having Registration No. 301051E allotted by The Institute of Chartered Accountants of India (ICAI), who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:
“**RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any of the Companies Act, 1956 (“the Act”), read with Schedule XIII of the Act, or any amendment or re-enactment thereof, and subject to such sanctions and approval of the Central Government, as may be necessary, the Company hereby accords its approval for the re-appointment of Mr. Shrivardhan Goenka as a Wholtime Director of the Company for a further period of 3 (three) years with effect from 1st August, 2012 on such remuneration and upon such terms and conditions as set out in the Explanatory Statement annexed to the Notice convening the meeting with liberty to the Board of Directors (“the Board” which term shall be deemed to include any Committee of the Board) to alter and vary the terms and conditions including remuneration of the said appointment, if necessary, in such manner as may be agreed to by and between the Board and Mr. Shrivardhan Goenka, within the limit specified in the Act;
RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:
“**RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any of the Companies Act, 1956 (“the Act”), read with Schedule XIII of the Act, or any amendment or re-enactment thereof, and subject to such sanctions and approval of the Central Government, as may be necessary, the Company hereby accords its approval for the re-appointment of Mr. Amitava Mondal as Managing Director & CEO of the Company for a further period of 3 (three) years with effect from 1st October, 2012 on such remuneration and upon such terms and conditions as set out in the Explanatory Statement annexed to the Notice convening the meeting with liberty to the Board of Directors (“the Board” which term shall be deemed to include any Committee of the Board) to alter and vary the terms and conditions including remuneration of the said appointment, if necessary, in such manner as may be agreed to by and between the Board and Mr. Amitava Mondal, within the limit specified in the Act;
RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date :10th August, 2012

By Order of the Board of Directors
For Stone India Limited

(Debabrata Thakurta)
Company Secretary,
Legal & Compliance Officer

NOTES :

- (1) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. The proxy in order to be effective must reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting.**
- (2) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
- (3) The Register of Members and Share Transfer Books will remain be closed from Friday, 21st September, 2012 to Friday, 28th September, 2012 (both days inclusive).
- (4) Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office on all working days (except Saturdays) between 11.00 AM and 1.00 PM prior to the date of the Annual General Meeting.
- (5) Pursuant to Section 205A(5) of the Companies Act, 1956 all unpaid/unclaimed dividends for and upto and including the Company's Financial Year 1998/99 ended on 31st March 1999 had been transferred to the "Investor Education and Protection Fund".
- (6) As per SEBI regulations a copy of the PAN Card of the transferee(s) should be furnished along with the physical transfer/transmission of shares.
- (7) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend which remains unpaid or unclaimed for a period of 7 years is required to be transferred to the "Investor Education and Protection Fund" (IEPF) of the Central Government. Members who have not encashed the dividend warrants for the Financial years 2005-06, 2006-07 & 2007-08 are requested to send their claims to Company's Registrar & Share Transfer Agent, M/s. C. B. Management Services Pvt. Ltd., P-22, Bondel Road, Kolkata-700019 immediately along with unencashed Dividend Warrants lying with them. It may also be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie in respect thereof.
- (8) Mr. Debabrata Thakurta, Company Secretary is the Compliance Officer in terms of Clause 47 of the Listing Agreements with the Stock Exchanges. Members may communicate with the Compliance Officer at the Registered Office address in relation to any query pertaining to their shareholdings.
- (9) As per the provisions of the Companies Act, 1956 the facility for making nominations is available to Members in respect of their Shares in the Company. Nomination forms can be obtained from M/s. C. B. Management Services Pvt. Ltd., Registrars & Share Transfer Agent (R & T Agent) of the Company, in case they hold their Shares in physical form. If they are holding the Shares in dematerialized form, they may contact with their respective Depositories for such nomination.
- (10) Members who hold shares in physical form are requested to inform the R & T Agent, their Income Tax Permanent Account Number (PAN) / General Index Register Number (GIR) if any, allotted to them by the Income Tax Authorities.
- (11) Members holding shares in physical form are requested to notify changes in their addresses, if any, quoting their folio numbers to the R & T Agent of the Company.
- (12) Members holding shares under multiple folios are requested to submit their applications to R & T Agent, for consolidation of folios into single folio.
- (13) The Register of Director's Shareholding, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the Members at the Annual General Meeting.
- (14) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Reports at the meeting.
- (15) Members desiring any relevant information on the annual accounts of the Company are requested to write to the Company well in advance to ensure that such requests reach the Company at least ten (10) days before the Annual General Meeting, so as to enable the Company to keep the information ready.
- (16) **In terms of circular being nos. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011 issued by the Ministry of Corporate Affairs, Govt. of India for Green Initiatives in the Corporate Governance, the members desiring to receive notice/ documents etc., from the Company through electronic mode instead of physical copy may register their e-mail address and changes therein from time to time with the Company. A request letter in this regard giving details of e-mail address may be sent at the Registered Office/ RTA address.**
- (17) At the ensuing Annual General Meeting of the Company, Mr. Ashwani Kumar Goswami and Mr. Aniket Agarwal, Directors retire by rotation and being eligible, offered themselves for reappointment.

Mr. Shrivardhan Goenka and Mr. Amitava Mondal are proposed to be re-appointed as Wholetime Director and Managing Director & CEO respectively.

Brief profile of the aforesaid Directors are given in the enclosed notice.

Request to the Members:

1. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for ensuring easy identification of attendance at the Meeting.
2. For convenience of Members, Attendance Slip is attached to the Proxy Form. Members are requested to fill in and affix their signatures at the space provided therein and handover the Attendance Slip at the entrance of the place of meeting. Proxy/Representative of a member should mark on the Attendance Slip as "Proxy" or "Representative", as the case may be.

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date :10th August, 2012

**By Order of the Board of Directors
For Stone India Limited**

**(Debabrata Thakurta)
Company Secretary,
Legal & Compliance Officer**

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS

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

Item No. 5

Mr. Shrivardhan Goenka was reappointed as Wholetime Director of the Company for a further period of three years with effect from 1st August, 2012 by the Board of Directors at their meeting held on 4th May, 2012 as per terms and conditions approved by the Remuneration Committee of the Board and the terms of his existing term of office expired on 31st July, 2012.

Considering the performance of Mr. Shrivardhan Goenka in the developmental process of the Company, the Remuneration Committee of the Board has recommended the re-appointment of Mr. Shrivardhan Goenka as Wholetime Director of the Company on the following terms and conditions for a further period of three years with effect from 1st August, 2012, subject to the necessary approval of the Members and Central Government, as may be necessary, for further growth and performance of the Company in the coming years.

In consideration of his service, Mr. Shrivardhan Goenka shall be entitled to the following by way of remuneration :

- (i) Period : From 1st August, 2012 to 31st July, 2015.
- (ii) Basic salary : a) For the period 01.08.2012 to 31.07.2013 : Rs. 38,00,000/- (Rupees thirty eight lakhs only) p.a.
b) For the period 01.08.2013 to 31.07.2014 : Rs. 41,80,000/- (Rupees forty one lakhs eighty thousand only) p.a.
c) For the period 01.08.2014 to 31.07.2015 : Rs. 45,98,000/- (Rupees forty five lakhs ninety eight thousand only) p.a.
- iii) Performance Pay : Maximum 50% of Basic Salary
- iv) Perquisites : a) Group Accident Insurance and Leave Encashment – as per the Rules of the Company.
b) Superannuation pay of Rs. 1,00,000/- (Rupees one lakh only) p.a.

The following will not be included in computing perquisites as aforesaid:

- a) Company's contribution towards provident fund
- b) Gratuity at the end of the tenure at the rates not exceeding half a month's salary for each year of service

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

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

No other Director of the Company except Mr. Shrivardhan Goenka and Mr. G. P. Goenka, Chairman being related to Mr. Shrivardhan Goenka are concerned or interested in the aforesaid resolution.

The Board accordingly recommends the Resolution as set out in item no. 5 of the Notice convening the meeting for approval of the members.

This may be treated as compliance with the provisions of Section 302 of the Companies Act, 1956.

Item no.6

Mr. Amitava Mondal was reappointed as Managing Director & CEO of the Company for a further period of three years with effect from 1st October, 2012 and the terms of his existing term of office expires on 30th September, 2012.

As part of the initiative to create enduring leadership resulting the growth and development of the Company, the Board of Directors of the Company ("the Board") at its meeting held on 10th August, 2012 approved the reappointment of Mr. Amitava Mondal as Managing Director & CEO of the Company for a further period of three years with effect from 1st October, 2012 for further growth and performance of the Company in the coming years. The terms of reappointment including remuneration as approved by the Remuneration Committee and the Board, subject to the approval of the Members and the Central Government, as may be necessary, are as follows.

In consideration of his service, Mr. Amitava Mondal shall be entitled to the following by way of remuneration :

- (a) Period : From 1st October, 2012 to 30th September, 2015
- (b) Basic Salary : Rs. 67,08,240/- (Rupees sixty seven lakhs eight thousand two hundred forty only) p.a.
- (c) Performance Pay : 65% of Basic Salary

- (d) Perquisites : (i) Company leased accommodation or HRA of 55% of Basic Salary
- (ii) Reimbursement of Medical Expenses incurred for self and family subject to a maximum of Rs.15,000/- (Rupees fifteen thousand only) p.a.
- (iii) Leave Travel Assistance – maximum of Rs.2,00,000/- (Rupees two lakhs only) p.a. subject to Income Tax Rules.
- (iv) Car for use on the Company's business only and reimbursement of residential and mobile telephone bills use in the Company's business only.
- (v) Group Accident Insurance, Medical Insurance – as per Rules of the Company.
- (vi) Superannuation pay of Rs.1,00,000/- (Rupees one lakh only) p.a.
- (vii) Gratuity as per Rules of the Company.
- (viii) Due to contingency of work, Mr. Amitava Mondal will be allowed to maintain an office annexed to his place of residence. All reasonable actual expenses to maintain such office will be borne by the Company.

Mr. Amitava Mondal shall also be entitled to leave in accordance with the Rules of the Company from time to time in force as applicable to the Senior Executives of the Company and entitled to encashment as per Rules of the Company.

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

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

The arrangement provides inter alia for the determination by either party by giving or paying to the other six month's salary in lieu thereof and also sets out the mutual rights and obligations of the parties and other administrative details.

No other Director of the Company except Mr. Amitava Mondal is concerned or interested in the aforesaid resolution.

The Board accordingly recommends the Resolution as set out in item no. 6 of the Notice convening the meeting for approval of the members.

This may be treated as compliance with the provisions of Section 302 of the Companies Act, 1956.

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date :10th August, 2012

**By Order of the Board of Directors
For Stone India Limited**

**(Debabrata Thakurta)
Company Secretary,
Legal & Compliance Officer**

Statement as required by Section II of Part II of Schedule XIII of the Companies Act, 1956 :

I. General Information

(1) Nature of Industry :

The Company is a multi product engineering company located in Kolkata, has been serving Indian rail road industry over decades. The Company is a pioneer in brake systems and has a wide range of mechanical and electrical products for the rail road industry.

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

Not applicable. The Company has been in operation since decades.

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

Not applicable.

(4) Financial performance based on the given indicators :

(Rs. in lacs)

Year ended	31.03.2012	31.03.2011	31.03.2010
Gross Revenue	10,012.64	9,268.45	9,457.85
Profit before interest, depreciation, tax and exceptional items	1,067.47	1,149.53	1,093.75
Provision for tax (current & deferred tax)	172.13	154.47	122.16
Paid up share capital	760.33	760.33	760.33
Earning per share	4.21	6.00	5.80

(5) Export performance and net foreign exchange collaborations :

Export earnings for the year was amounting to Rs.57.41 lacs.

For expanding business, the Company has entered into several MOU's with the foreign parties.

(6) Foreign investments or collaborators, if any :

There were no foreign investments in the Company.

However, the Company has entered into certain strategic alliances with the foreign parties. These parties have not invested in the Company.

II. Information about the appointees

(1) Background details :

These have been adequately disclosed as a part of the notice.

(2) Past remuneration :

(Rs. in lacs)

	Mr. Shrivardhan Goenka	Mr. Amitava Mondal
2009-10	30.33	68.87
2010-11	32.00	109.02
2011-12	32.00	121.81

(3) Recognition or awards :

Not applicable.

(4) Job profile and their suitability :

Subject to the supervision, control and direction of the Board of Directors, Mr. Shrivardhan Goenka and Mr. Amitava Mondal will continue to oversee the overall business activities of the Company and its development for which they have substantial knowledge, background, expertise and leadership qualities.

(5) Remuneration proposed :

It has been adequately disclosed in the Explanatory Statement.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expertise the relevant details would be with respect to the country of his origin) :

The remunerations of Mr. Shrivardhan Goenka and Mr. Amitava Mondal, as proposed are at par with their peers in Companies of similar size and nature.

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

Save what is set out herein and apart from their shareholdings in the Company, Mr. Shrivardhan Goenka and Mr. Amitava Mondal have no other pecuniary relationship with the Company. No relative of Mr. Shrivardhan Goenka and Mr. Amitava Mondal is employed in the Company.

III. Other information :

(1) Reasons of loss or inadequate profits.

(2) Steps taken or proposed to be taken for improvement.

(3) Expected increase in productivity and profits in measurable terms.

These have been elaborated in the Annual Report and Accounts for the year ended 31st March, 2012 forming part of this Notice.

IV. Disclosures in terms of remuneration packages, benefits etc.

This has been adequately disclosed in the Explanatory Statement.

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

1.	Name of the Director	Mr. Ashwani Kumar Goswami
	Age	69 Years
	Qualifications	Mechanical Engineer, Indian Administrative Service (IAS)
	Nature of expertise	Mr. Ashwani Kumar Goswami is a retired Government member of the Indian Administrative Service (IAS). He is also a qualified Mechanical Engineer who has had a brilliant academic record. He had a long and distinguished career, his last post before retirement was as Secretary to the Government of India. Earlier he had attained the top most position of Chief Secretary in the State of Himachal Pradesh. He had held various other important positions in the State and Central Government such as Chairman, Electricity Board, Director of Industries etc.
	Date of First Appointment	30th June, 2009
	Name of the other companies in which he holds Directorship of Board	Jai Prakash Power Ventures Limited Steel Authority of India Limited JP Sports Int. Limited
	Name of the other companies in which he holds Membership of Committees of the Board	Jai Prakash Power Ventures Limited – Finance Committee, Chairman Steel Authority of India Limited – Audit Committee – Projects Committee, Chairman – Joint Ventures Committee – HR Committee, Chairman – Long Term Vision Committee, Chairman JP Sports Int. Ltd. – Audit Committee, Chairman
	Professional Membership	Nil
	No. of shares held in the Company	Nil

2.	Name of the Director	Mr. Aniket Agarwal
	Age	44 Years
	Qualifications	LL.B.,
	Nature of expertise	Commercial & Corporate Laws
	Date of First Appointment	31st October, 2003
	Name of the other companies in which he holds Directorship of Board	Kothari Phytochemicals Industries Limited
	Name of the other companies in which he holds Membership of Committees of the Board	Nil
	Professional Membership	Incorporated Law Society, High Court, Calcutta
	No. of shares held in the Company	Nil

3.	Name of the Director	Mr. Shrivardhan Goenka
	Age	37 Years
	Qualifications	B.Com., MBA from Kellogg School of Management, Northwestern University, USA.
	Nature of expertise	General Management, Finance and Marketing
	Date of First Appointment	25th November, 1997.
	Name of the other companies in which he holds Directorship of Board	Continuous Forms (Calcutta) Ltd Duncans Agro Chemicals Ltd Duncans Industries Limited Duncans Tea Ltd Frontline Tea Tradeco Pvt Ltd ISG Traders Ltd Kavita Marketing Pvt Ltd Odyssey Travels Ltd Shubh Shanti Services Ltd Star Paper Mills Ltd Stone Intermodal Pvt Ltd Stone Bio-Tech Pvt Ltd
	Name of the other companies in which he holds Membership of Committees of the Board	Indian Chamber of Commerce Federation of Indian Chamber of Commerce & Industry
	Professional Membership	Nil
	No. of shares held in the Company	1,35,500

4.	Name of the Director	Mr. Amitava Mondal
	Age	54 Years
	Qualifications	B. Tech. (Hons) in Mechanical Engineering from IIT, Kharagpur & PGDIM from NITIE, Mumbai.
	Nature of expertise	New Product & Business Development, Performance Improvement, Business Transformation, International Marketing, Negotiating Skills, Foreign Collaboration & JVs, International Funding, Setting up of New Operations, Team Building etc.
	Date of First Appointment	15th October, 2003
	Name of the other companies in which he holds Directorship of Board	Duncans Tea Limited Stone Intermodal Private Limited Stone Bio-Tech Private Limited Green Sanitation Foundation Stone Technology Private Limited
	Name of the other companies in which he holds Membership of Committees of the Board	Nil
	Professional Membership	Member of All India Management Association
	No. of shares held in the Company	45,128

STONE INDIA LIMITED

Regd. Off. : 16, Taratalla Road, Kolkata 700 088

Shareholder Response Form

Our Registrar & Share Transfer Agent :

C.B. Management Services (P) Limited
P-22 Bondel Road, Kolkata-700 019
Tel. : 40116700/6701/6718/6723, Fax : 2287 0263
E-mail : rta@cbmsl.com

Name :

Date :

Address :

.....

..... City..... Pin Code.....

Tel. No. :

Mobile No. :

E-mail :

Nature of complaint :
(Tick whichever is appropriate)

- | | | | |
|---|--------------------------|-------------------------------|--------------------------|
| 1. Allotment Letter / Refund Order | <input type="checkbox"/> | 5. Redemption Amount | <input type="checkbox"/> |
| 2. Certificate / Endorsed / Transfer / Duplicate / Bonus / Rights | <input type="checkbox"/> | 6. Annual Report for the Year | <input type="checkbox"/> |
| 3. Interest / Dividend (Specify period) | <input type="checkbox"/> | 7. Other (Specify) | <input type="checkbox"/> |
| 4. Credit with DP | <input type="checkbox"/> | | |

Particulars of complaint:
(Provide Maximum Details)

- | | | | |
|--------------------|----------------------|------------------|----------------------|
| 1. Folio | <input type="text"/> | 5. DRN No. | <input type="text"/> |
| 2. Certificate No. | <input type="text"/> | 6. DP ID No. | <input type="text"/> |
| 3. Distinctive No. | <input type="text"/> | 7. Client ID No. | <input type="text"/> |
| 4. Appl. No. | <input type="text"/> | | |

Any other grievances / comments :

.....

Signature Name of the holders

Folio No. / DPID & Address

Client ID No.

STONE INDIA LIMITED

Registered Office : 16, Taratalla Road, Kolkata 700 088

PROXY FORM

I/We of
..... being a member/s of
STONE INDIA LIMITED hereby appoint
of or failing him
..... of
..... as my/our proxy to attend and
vote for me/us and on my/our behalf at the Eighty-Second Annual General Meeting of the Company to be held on
Friday, 28th September, 2012, at 11.00 A.M. and at any adjournment thereof.

As witness my/our hand(s) this day of 2012.

Affix
Re.1/-
Revenue
Stamp

Signed by the said

Folio No. D. P. Id. Client Id

No. of Shares held

Note : The proxy must be returned so as to reach the Registered Office of the Company **not less than 48 hours before** the time for holding the aforesaid Meeting.

STONE INDIA LIMITED

Registered Office : 16, Taratalla Road, Kolkata 700 088

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Hall.

I/We hereby record my/our presence at the Eighty-Second Annual General Meeting of the Company held at Bharatiya Bhasa Parishad, 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, 28th September, 2012, at 11.00 A.M.

Full Name of the Member(s)/Proxy
in Block Letters.

Folio No. :

D. P. Id. :

No. of Shares held :

Client Id :

Signature of the Member(s)/Proxy

Note : Only Members of the Company or their proxies will be allowed to attend the Meeting.

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BOARD OF DIRECTORS

Chairman	Directors
G. P. Goenka	S. Ray
Managing Director & CEO	I. Sen
A. Mondal	A. Agarwal
Whole time Director	A. K. Goswami
Shrivardhan Goenka	

BOARD COMMITTEES

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

CORPORATE MANAGEMENT COMMITTEE

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

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

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

Cost Auditors
Datta, Ghosh, Bhattacharya
& Associates
Cost Accountants
37 Gobinda Bose Lane
Kolkata 700 025

Bankers
State Bank of India
Indian Overseas Bank
ICICI Bank Limited
State Bank of Bikaner & Jaipur

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 82nd Annual Report on the business and operations of your Company for the financial year ended on 31st March, 2012.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	For the Financial Year 2011-12	For the Financial Year 2010-11
Gross Turnover	10,838.15	10,044.75
Profit before Interest, Depreciation & Taxation	1,067.47	1,149.53
Interest	462.25	360.91
Depreciation	199.28	173.25
Profit before Taxation	405.94	615.37
Provision for Taxation – Current Tax	86.47	141.36
Provision for Taxation – Deferred Tax	85.66	13.11
MAT Credit entitlement	(86.47)	—
Income Tax for earlier years	—	5.00
Profit after Taxation	320.28	455.90
Balance brought forward from previous year	1309.04	853.14
Profit available for appropriation	1629.32	1,309.04
APPROPRIATIONS:		
Balance Carried to the Balance Sheet	1629.32	1,309.04

* Previous years figures have been rearranged and regrouped wherever necessary.

OPERATIONS

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

- The Gross Turnover Rs. 10,838.15 lacs as against Rs. 10,044.75 lacs in the last year.
- Profit before Taxation Rs. 405.94 lacs as against Rs. 615.37 lacs in the last year.
- Profit after Taxation Rs. 320.28 lacs as against Rs. 455.90 lacs in the last year.

Indian economy decelerated aggravated by severe Euro Zone crisis as well as by declining exchange rates. Despite achieving a comparatively modest growth of 6.5%, down from 8.6% for the year before, the economic scene nevertheless is presently dismal and the predictions of the Government and various economic forums for anticipated growth failed to meet the expectations. This adversely impacted on the operations of your Company which could not achieve its performance targets on account of stringent financial constraints of the Indian Railways. However, your

Company continued to remain firmly focused on development of new products and on its R&D programmes. Your Directors are happy to report that Stone Bio-Tech Private Limited, a subsidiary of your Company has commenced commercial production of Bio toilets.

ISO CERTIFICATION

During the year under review your Company became a ISO 14001 accredited Company.

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, 2012.

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

DIRECTORS' REPORT (Contd.)

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.57.41 lacs foreign exchange during 2011-12 as against Rs.72.68 lacs during 2010-11. Foreign exchange outgo during the year amounted to Rs.394.06 lacs (including import of components and spare parts) against Rs.432.51 lacs during the previous year.

PERSONNEL

Industrial Relations with employees at various levels remained 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. Yoga and stress management programmes are regularly conducted at office premises for the benefits of employees at all level.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ashwani Kumar Goswami and Mr. Aniket Agarwal retire by rotation and being eligible, offer themselves for re-appointment.

Further, with a view to strengthening the Board, Mr. Shrivardhan Goenka was re-appointed as Wholetime Director on revised terms and conditions with effect from 01.08.2012 to 31.07.2015 and Mr. Amitava Mondal was also re-appointed as Managing Director & CEO on revised terms and conditions with effect from 01.10.2012 to 30.09.2015, subject to the necessary approvals of the members and the Central Government, as may be necessary.

All the 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

Sustained focus on development of products and enhancing quality standards are the key objectives of your Company's own Research and Development Unit. Continuous thrust is on to innovate creative ideas in hi-tech engineering areas which can lead to improved performance of the Company and in consequence deliver substantial benefits to its customers and stakeholders.

As a mark of progressive development process, your Company has been awarded "Technology Development

and Demonstration Program" (TDDP) grant from the Department of Scientific and Industrial Research (DSIR) under the Ministry of Science and Technology, Govt. of India for 'Design and Development of Biological Toilet Systems'.

OTHER INFORMATION

In accordance with the provisions of Section 217 of the Companies Act, 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. 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 second and third reminder has been sent to the respective eligible 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

DIRECTORS' REPORT (Contd.)

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.

DEMATERIALIZATION 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). 93.17% of the total equity share capital of your Company was held in dematerialized form with NSDL and CDSL as on 31st March, 2012.

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 with the requirements of the 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 2011-12 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 2012-13, 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.

COST AUDITORS

Pursuant to the Industry wise General Order issued by the Central Government, M/s. Datta, Ghosh, Bhattacharya & Associates, Cost Accountants having Registration no. 0089 issued by the Institute of Cost Accountants of India have been appointed as Cost Auditors of the Company to conduct Cost Audit for the Financial Year 2012-13.

PUBLIC DEPOSITS

Your Company has not accepted any Public Deposits.

SUBSIDIARY COMPANIES

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

In accordance with the General Exemption granted by the Ministry of Corporate Affairs vide its Circular No.2/2011 dated 8th February, 2011, the Balance Sheet, Profit & Loss Account and other documents of the Subsidiary Companies are not being attached with the Balance Sheet of the Company. Your Company agreed to comply with the conditions prescribed in the Circular. The Company will make available the Annual Accounts of the Subsidiary Companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the Subsidiary Companies will also be kept open for inspection at the Registered Office of the Company on all working days (except Saturdays) between 11.00 AM and 1.00 PM prior to the date of the Annual General Meeting.

In compliance with the requirements of the aforesaid Circular, a Statement showing relevant details of the Subsidiary Companies for the year ended 31st March, 2012 have been included in the Consolidated Financial Statements of the Company which forms part of this Annual Report.

As required under the Listing Agreement, the Consolidated Financial Statements of the Company together with its Subsidiary Companies 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

DIRECTORS' REPORT *(Contd.)*

performance has been integral to the business operations of your Company and continues to receive attention throughout the year.

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 the outlook. Readers are therefore cautioned that such statements speak only of the situation as of date 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.

Date : 10th August, 2012
Place : Kolkata

For and on behalf of the Board

G. P. GOENKA
Chairman

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

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

1. Specific area in which R&D carried out by the Company	Products for application on Railway Rolling Stock
2. Benefits derived as a result of the above R&D	Import substitution, development of new products, improvement of existing products and cost reduction.
3. Future plan of action	<p>Railway Items : Development of -</p> <ol style="list-style-type: none"> 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. Biogical 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. 35.39 Lacs
(b) Recurring	Rs. 128.23 Lacs
(c) Total	Rs. 163.62 Lacs
(d) Total R&D Expenditure as a percentage of total turnover	1.65%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	<p>The Company makes continuous efforts for –</p> <ol style="list-style-type: none"> (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.
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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 :

(a) Technology imported

(b) Year of Import

(c) Has technology been fully absorbed

(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. | Technologies imported during the last 5 years from the Financial Year 2005-06 are as follows :

(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.

(i) 2005-06, (ii) 2007-08, (iii) 2008-09, (iv) 2008-09

(i) & (ii) – Yes (iii) & (iv) On progress |

Date : 10th August, 2012
 Place : Kolkata

For and on behalf of the Board
G. P. GOENKA
Chairman

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, 2012:

Category	No. of Directors	Percentage of total no. of Directors
Non-Executive Directors & Promoter	1	14.29%
Non-Executive Independent Directors	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, 2012 are given below:

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 26th September, 2011	Number of other Directorships ²	Number of other Committee Memberships ³
G. P. Goenka	C & NED & P	3	Present	6	-
S. Ray	NED & ID	4	Present	2	3 (2)
I. Sen	NED & ID	4	Present	1	1
Shrivardhan Goenka	ED & P	4	Present	12	1
A. K. Goswami	NED & ID	2	Absent	3	2(1)
A. Agarwal	NED & ID	-	Absent	1	-
A. Mondal	MD	4	Present	5	-

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 2011-12, 4 (four) Board Meetings were held on 2nd May, 2011, 5th August, 2011, 2nd November, 2011 and 3rd February, 2012 respectively.

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.

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:
 - 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.

Report of Corporate Governance (Contd.)

- 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, 2012, 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.	2nd May, 2011	Attended	Attended	Attended
2.	5th August, 2011	Attended	Attended	Absent
3.	2nd November, 2011	Attended	Attended	Absent
4.	3rd February, 2012	Attended	Attended	Attended
Number of meetings held during the member's tenure		4	4	4
Number of meetings attended by the member		4	4	2

(Rs. in Lacs)

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 2011-12, 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, 2012 is as under:

Director	Salary	Perquisites	Total
A Mondal Managing Director & CEO	118.28	3.53	121.81
Shrivardhan Goenka Whole time Director	32.00	-	32.00

(There were no stock options during the Financial Year ended on 31st March, 2012)

Report of Corporate Governance (Contd.)

B. Details of sitting fees paid during the year 2011-12 to the existing Non-Executive Directors as on 31st March, 2012 are given below:

Directors	Sitting Fees		
	Board Meeting	Committee Meeting	Total
G. P. Goenka	15,000/-	-	15,000/-
S. Ray	20,000/-	55,000/-	75,000/-
I. Sen	20,000/-	20,000/-	40,000/-
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

- 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
- 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 2011-12	4
No. of complaints resolved to the satisfaction of Shareholders as on 31st March, 2012	4
No. of pending share transfers as on 31st March, 2012	Nil

GENERAL BODY MEETINGS

Location and time where last three Annual General Meeting were held :

AGM	Year	Venue	Date	Time	Special Resolution	Postal Ballot
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
81st	2010-11	Kalakunj Hall (Basement), Kalamandir 48, Shakespeare Sarani, Kolkata 700 017	26/09/11	11.00 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 Note no. 29(C) which is forming part of the Accounts of your Company for the year ended 31st March 2012, 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:**

Compliance

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 mondalmit@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, 2012.

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 2011-12 and that to the best of their knowledge and belief:
- these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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 2011-12 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:
- Significant changes in internal control during the year;
 - 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, 2012.

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

- Quarterly Audited Results including the Half-yearly Results and the Annual Audited Results were published in Financial Express, Kolkata, Mint, Kolkata, Dainik Statesman, Kolkata, Aarthik Lipi, Kolkata and Aajkal, Kolkata;
- 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;
- 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;
- 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 : Friday, 28th September, 2012
 Venue : Bharatiya Bhasha Parishad
 36A, Shakespeare Sarani, Kolkata - 700 017

(b) **Financial Calendar (2012-13):**

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, 2012 (Audited)	By 2nd Week of August, 2012
Half-Year ending September 30, 2012 (Audited)	By 1st Week of November, 2012
Third Quarter ending December 31, 2012 (Audited)	By 1st Week of February, 2013
Year ending March 31, 2013 (Audited)	By 1st Week of May, 2013
AGM for the year ending March 31, 2013	September, 2013

(c) **Book Closure date :**

The dates of Book Closures are from 21st September, 2012 to 28th September, 2012 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, 2012.

(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, 2012.

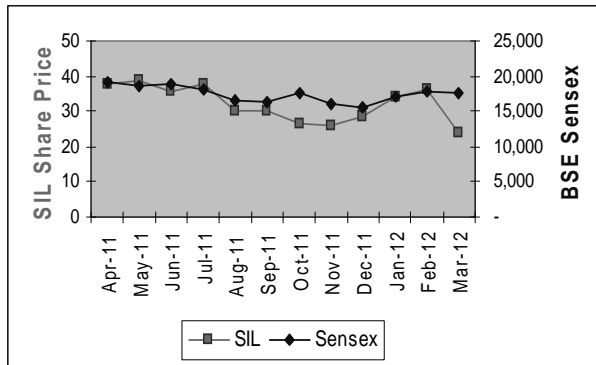
(in Rs.)

Month	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2011	40.50	31.50	N.T.	N.T.
May 2011	39.50	33.55	N.T.	N.T.
June 2011	38.65	33.35	N.T.	N.T.
July 2011	38.50	30.00	N.T.	N.T.
August 2011	37.25	26.35	N.T.	N.T.
September 2011	38.00	27.00	N.T.	N.T.
October 2011	30.15	23.20	N.T.	N.T.
November 2011	31.65	23.35	N.T.	N.T.
December 2011	31.85	24.05	N.T.	N.T.
January 2012	36.60	28.10	N.T.	N.T.
February 2012	38.80	30.70	N.T.	N.T.
March 2012	37.50	23.10	N.T.	N.T.

N.T. : No Transaction

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) 40116739
 Email No. rta@cbmsl.com

(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, 2012

I Distribution of Shareholding Pattern by ownership:

Category	No. of Shares held	Percentage of Shareholding
A. Promoter's holding		
1. Promoters'		
– Indian Promoters	20,65,354	27.19
– Foreign Promoters	–	–
2. Persons acting in concert	2,20,500	2.90
Sub Total	22,85,854	30.09

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)	1,24,947	1.64
c. Foreign Institutional Investors	–	–
Sub Total	1,25,520	1.65
4. Others		
a. Private Corporate Bodies	6,26,402	8.25
b. Indian Public	42,13,361	55.46
c. NRIs/OCBs	2,26,152	2.98
d. Any other (specify):		
i) Clearing Members/Corporate	1,19,210	1.57
Sub-Total	51,85,125	68.26
GRANDTOTAL	75,96,499	100.00

II. Distribution of shareholding by number of shares held :

No. of Shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	12,951	90.07	16,64,085	21.91
501 to 1000	786	5.47	6,26,789	8.25
1001 to 2000	322	2.23	4,82,130	6.35
2001 to 3000	105	0.73	2,74,766	3.62
3001 to 4000	43	0.30	1,57,088	2.07
4001 to 5000	35	0.25	1,66,853	2.20
5001 to 10000	77	0.53	5,70,305	7.51
10001 and above	60	0.42	36,54,483	48.09
Total	14,379	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 93.17% 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.
10th August, 2012

G. P. GOENKA
Chairman

Report of Corporate Governance (Contd.)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT for the year ended 31st March 2012

1 Industry Structure and Developments :

GDP growth of Indian economy during the financial year 2011-12 was @ 6.5%. Within this period the market demand for the products of your Company was healthy but due to late placement of Wagon Orders the sales for Airbrake Wagons got affected in the 2nd quarter and part of 3rd quarter. During the year under review the company was able to book substantial Orders for 4.5 KW Alternators, 25 KW Alternators, Rectifier Regulator for 4.5 KW Alternator and 25 KW Alternators, AM-12 Pantographs, Panel Mounted Brake System for Electric Locomotives, Slack Adjusters as well as for Wagon Airbrakes.

In the new products category Orders worth Rs.2.30 crores was booked for supply of Vigilance Control Device, Unloader Panel, Air Spring Control Equipment, Air Springs, Electro Pneumatic Brakes, Failure Indication cum Brake Application Valves as well as for Tread Brake Units.

We are pleased to announce that Company has developed Vigilance Control Devices for Electric Locomotives successfully and received repeat Orders from CLW as well as from Zonal Railways.

Company has also developed successfully Failure Indication and Brake Application Valves and also received repeat Order in this financial year.

Your Company bagged Orders worth Rs.103 crores during the year. While the Company received price increases for a few products, however there were substantial price drops for Pantograph as well as for Air Brakes of Wagon application due to severe competition.

2. Opportunities & Threats :

2.1. Opportunities :

Your company recorded an impressive order booking for Panel Mounted Brake System for Electric Locos in this year too. The Company has received Order for 146 Nos. Panel Mounted Brake System for Electric Locos for OEM requirement of CLW as well as from BHEL/Jhansi. Company is expecting to receive Orders for Panel Mounted Brake System for Electric Locomotives in the coming Financial Year both from CLW as well as from BHEL/Jhansi as both CLW and BHEL stepped up the Locomotive production significantly.

Efforts are being made to register Nalagarh Unit also for supply of Electric Loco Panel Mounted Brake System to cater to Zonal Railways retrofitment need for the same.

During the year Company also received Order for 118 Nos. Panel Mounted Brake System for Diesel Locomotives and commercial supplies to OE customers as well as to Zonal Railways have also been made from Nalagarh Unit.

During the year Company received Orders for 650 Nos. AM-12 Pantograph and 93 Nos. AM-92 Pantographs and 30 Nos. AM18B2 AC DC Pantographs.

Company also registered an Order booking for 725

Nos. 4.5 KW Alternators, 396 Nos. 25 KW Alternators and 540 Nos. Rectifier cum Regulator Unit.

Though Slack Adjuster business was reduced from OEM in view of introduction of Bogie Mounted Brake System, Company could still book Order for 2239 Sets of Slack Adjuster complete and 8707 Units of Slack Adjusters for supply to Zonal Railways and Wagon Builders.

Company had booked Orders for 4225 Sets of Air Brakes for supply to Wagon Builders and Zonal Railways, 219 Sets of Air Brakes for supply to special purpose CONTAINER Wagons of Container Corporation of India (CONCOR).

2.2. Threats :

There was severe price pressure from local competitors particularly for Pantograph and Pantograph Spares for Freight Locomotives.

There has been a drop in the price for the Alternators since the 3rd quarter and this will affect the business of Alternators in the financial year 2012-13. This is primarily because all the manufacturers have excess capacity in relation to demand.

As reported earlier Slack Adjuster business for OEM is going to reduce substantially in the coming years as Railways have switched over to Bogie Mounted Brake System for major type of Wagons.

While the company is in the process of developing Bogie Mounted Brake System but it will take another 24 months to get full approval from the Railways after extensive trials in the field. Further the fitment is getting delayed as Railways have problem in allocating Wagons to us for fitment of Bogie Mounted Brake System as developed on a particular nominated Wagon.

In view of DLW switching over fully for EMD Locomotives the demand of Panel Mounted Brake system for Diesel Locomotives from DLW has substantially reduced and DLW would only use Panel Mounted Brake System for the Dual Brake Locos which they will export to the neighbouring countries.

As regards DMW/Patiala switching over to manufacturing of ALCO Diesel Locos there will be a slight improvement of business of Conventional Panel Mounted Brake System from this Unit.

In addition to the above due to current dwindling finances of Indian Railways we may expect fund crunch at the end of each quarter which may affect the operation as well as cash flows of the Company.

Fund crunch may also affect the non stock requisition leading to Works Contract for fitment of Tri-Plate Panel etc i.e. retrofitment work may get affected which used to generate good revenue for the Company with high operating margins.

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 2011-12 following are the performance figures for our main products.

Report of Corporate Governance (Contd.)

3.1. Railway Products :

a) Train Lighting Alternators :

The market share obtained to the level of 15% for 4.5 KW and 17% to 18% for 25 KW Alternators. Prices for both the varieties have improved substantially. However as reported earlier from 4th quarter of 2011-12 the prices have started dropping.

b) Critical Loco Brake Valve :

Market share retained at 50%. Prices were retained.

c) Air Brake Wagon & Coaches :

The market share for Freight Wagon for Air Brake was maintained around 27% and market share of Coach Air Brake maintained about 15% to 20%.

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

d) Pantographs :

Market share maintained at 55% to 60%. There has been severe undercutting of prices of freight pantograph over the year.

e) Slack Adjusters :

Market share maintained at 50% to 55%. Price level maintained with moderate increase of 5% to 6%. However, for supply to Wagon Builders Company was able to get price increase of almost 8 to 10%.

f) Panel Mounted Brake System for Locomotive :

Market share maintained at 50%. Price level maintained for Diesel Brake Panels but for Electric Loco Panels price increase of 4% was obtained.

g) Rolling Stock Spares business :

The level of Spares business volume was increased for Pantograph Spares Loco Brake Spares, Slack Adjuster Spares as well as for Airbrake Spares. However, there was drop of business for Distributor Valve Spares due to undercutting of price by one competitor and though the volume of Alternator Spares business was marginally low but price levels were improved.

h) Air Dryers :

Company booked Orders for 133 Nos. Air Dryers as the market was subdued and there was no further demand of retrofitment of the same.

4) Outlook :

Considering the Railways fund position it is expected that demand for Company products for the normal maintenance

as well as for upgradation and retrofitment projects would suffer.

However production units of Indian Railways have been given higher production target for Locomotive Coaches as well as for EMUs and it is expected that the demand for the company products from OEMs will increase.

New Wagon tenders are expected to be floated for 16,000 Wagons for 2012-13 instead of 18,000 Wagons as finalised in the year 2011-12

Further BHEL/Jhansi have now established manufacture of Electric Locomotives to a level of 50 to 55 Nos. and in the financial year 2012-13 they are supposed to reach a target figure of 75 Electric Locomotives. This 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 from this unit.

Considering that a large number of Metro projects that are coming up in various Metro Cities in the country like Hyderabad, Delhi Metro extension, Ahmedabad and Kochi, the Company has decided to enter this market for supply of Brake System, Pantograph, Platform Screen Door, Air Spring Suspension etc. It is expected that there will be a good demand and this will be a future growth area for the Company.

5. Risks and Concerns :

As explained earlier there has been erosion of margin due to undercutting of prices of Pantographs by the competitors. It is expected that this will be offset with the gradual switch over to new design of Air Operated Pantographs where competition will be limited. Further, the Company expects the new tender for High Reach Pantograph in the current Financial Year.

As reported earlier there will be also pressure on margins due to undercutting of prices for Alternators. It is expected that this can be partially offset with the better bargaining with all the vendors of Alternator.

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 :

(Rs. in lacs)

Particulars	2011-2012	2010-2011
Total Income	10,012.64	9,268.45
Sales	9,865.33	9,144.47
Profit after Taxation	320.28	455.90
Net Cash Flow from Operations	629.40	480.13
Basic Earning per equity share (Rs. per share)	4.21	6.00

8. Business Development :

During the year Company had signed a MoU (Memorandum of Understanding) with VOITH Turbo Scharfenberg GmbH & Co. KG, Germany for supply of AAR 'H' type Couplers having balanced draft gear for high capacity LHB Coaches.

Indian Railways have already taken decision to increase the production of LHB Coaches in the next few years and ultimately the entire production of Coaches for Indian Railways will be the LHB type in a time frame of 7 to 8 years.

Considering this growth of production of LHB Coaches your company initiated the action to introduce this sophisticated high value product for the LHB Coach application. The Company has already submitted its first bid for such Couplers and efforts are being made to receive the first developmental order for the same.

Company has also signed a MoU (Memorandum of Understanding) with Melecs of Austria for introduction of Air Operated Pantograph particularly for metro application.

Company has also quoted for this Pantograph for Metro application for Hyderabad Metro as well as for Delhi Metro Phase - III Coaches and we will try to enter this high growth segment.

Company has also signed a MoU (Memorandum of Understanding) for supply of Converters for Metro application with SMA / Germany and quotations are being made to leading Car Builder for such Converters.

After continuous efforts for a couple of years company has been able to get Part – II status for 4.5 KW Electronic Rectifier Regulator. This can be considered as a major break through for the in-house Electronic R&D Team. Company expects to receive good Orders for this product from 2012-13 onwards.

During the year Company supplied further 12 Sets of FDSC (Fault Diagnostic Control System) to CLW. Earlier supplied all 13 systems have now been installed and they are under service trial. Efforts are being made to upgrade the company to Part – II status to become a regular supplier of this critical item for Electric Locomotives.

Company received an Order for 24 Coach Sets of FIBA Valve (Failure Indication and Brake Application) and company has supplied 48 Valves which are being assembled in DURANTO Coaches. Company also received a repeat Order of this FIBA Valves in the current financial year. Further business from RCF / Kapurthala are also expected for this product.

During the year Company submitted detailed designs for Air Operated Pantograph (for which Order was received in 2010-11) to Indian Railways for their approval and acceptance so that the prototype manufacture can start.

During the year the High Reach Omniversal Intelli Pantograph as developed earlier have undergone successful field trial in the Passenger Loco Application and formal registration from RDSO is expected soon.

As regards Developmental Order for EMU Brake System for which Orders were received in 2010-11, design and drawing work was approved by Indian Railways and the prototype manufacture is in progress and we expect to supply the prototype by 2nd quarter of 2012-13. In continuation of this business for EP Brake System (Electro Pneumatic) Brake System Company has also received Developmental Order for

DMU Brake System for total 6 (six) Coaches (2 Nos. Motor Coaches and 4 Nos. Control Coaches) from ICF/Chennai. Efforts are also being made to receive similar Order from other Coach Builders in the country.

Indian Railways have decided to manufacture more DMU Coaches to cater the need of short distance traffic in non electrified route. A new factory is also coming up in Haldia to manufacture exclusively DMU Coaches and development of this product would help the company to attract the market.

In the year 2010-11 Company had received the first Developmental Order for VCDs for Electric Locomotives from CLW. The Company has already received the approval as Part – II supplier from RDSO and we have received further bulk Order of 52 Sets in the year 2012-13 as required for newly manufactured Locomotives as well as for retrofitment in the existing Electric Locomotives.

Considering that CLW and BHEL production of Conventional Locomotives will increase Company expects to receive good business for this product in the near future.

As regards introduction of Platform Screen Door System for Metro Rail Project in India, Company has already been short listed as a potential vendor for Calcutta East West Metro Rail. Further Company is also pursuing with Delhi Metro Corporation for introduction of PSD for 3 (three) main stations at Delhi Metro.

As regards supply of Control Discharge Toilet System for Indian Railways company supplied the bulk Order for 56 Sets to RCF / Kapurthala successfully.

However as regards the Biological Toilet System for Indian Railways, Indian Railways decided to procure the tank and bacteria themselves and hence Company has decided to pursue the technology and expertise gained for supply of Biological Toilet System for various static application for construction sites, villages also for various CSR activities for large corporates through the Company's subsidiary M/s Stone Bio-Tech Pvt. Ltd.

During the year major efforts have been taken for development of export market of Company products in the neighbouring SAARC countries and we expect to receive major export orders in the year 2012-13.

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 measures and recreational activities are also being continued side by side of production to maintain such relations.

Your Company had 398 employees on the roll at the end of the year under review as against 392 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 2012 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

H. S. Jha
Partner
Membership No. 55854

Place : Kolkata

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 2012.

For **STONE INDIA LIMITED**

(A. MONDAL)
MANAGING DIRECTOR & CEO

Date : 4th May, 2012

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

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

4th May 2012

Dear Sirs,

- (a) We have reviewed the financial statements and the cash flow statement for the year 2011-12 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 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 our knowledge and belief, no transactions entered into by the Company during the year 2011-12 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	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Order received	10301.00	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
Sales (Net)	9865.33	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
Profit before Tax	405.94	615.37	561.17	(757.13)	1,076.15	820.92	870.11	238.55	(895.80)	47.94
Earning per Share (Rs.)										
— Basic	4.21	6.00	5.80	(11.33)	11.92	10.57	11.07	3.04	(11.89)	1.81
— Diluted	4.21	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	6380.12	6033.94	6616.03	6,509.64	5,815.53	5,766.24	2,975.08	2,799.72	2,826.87	2,837.87
Current Assets (Net)	3993.71	3123.46	2350.04	1,625.02	2,837.02	2,560.53	3,646.86	2,727.96	2,545.74	3,267.39
Deferred Tax Assets (Net)	—	—	—	—	86.23	122.94	—	—	—	—
Profit & Loss										
Account (Dr Bal)	—	—	—	—	—	—	—	255.11	363.62	—
Net Assets Employed	10373.83	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
Financed by										
Share Capital	760.33	760.33	760.33	760.33	760.33	899.08	899.08	753.58	753.58	753.58
Reserves	3319.98	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
Accumulated										
Depreciation	2740.76	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
Loans & Overdrafts	3310.19	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
Capital Employed	10373.83	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

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, 2012 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 on account of various costs incurred for undertaking Rail Runner and Biomass project by two subsidiaries, 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 given to subsidiaries are in the nature of contribution towards the project and is therefore long term and strategic in nature.
 - 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)
 - (a) According to the information and explanations provided to us, particulars of the contracts or arrangement referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Act and exceeding five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 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 and therefore the scope thereof needs to be enlarged and the system followed needs to be further strengthened.
- viii) On the basis of the records produced, we are of the opinion that prima facie the cost records and accounts prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 have been maintained. However, we have not carried out any detailed examination of such records with a view to determine whether they are accurate or complete.
- ix)
 - a) According to the information and explanations given to us and as per the records of the Company, the Company except for ESI as mentioned in Note No. 9(c) of the financial statements, tax deducted at source, Income Tax, excise duty, Professional Tax and sales tax where there were delays in depositing the dues to appropriate authorities is generally 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, Cess and other material statutory dues applicable to it. 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 2012 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 '000
West Bengal Sales Tax Act, 1995	Sales Tax	Revisional Board	2004-05	1430
West Bengal Value Added Tax, 2003	Sales Tax	Additional Commissioner	2008-09	2198
Central Sales Tax Act, 1954	Sales Tax	Revisional Commissioner	2003-04, 2004-05 and 2005-06	3071
Central Sales Tax Act, 1954	Sales Tax	Additional Commissioner	2008-09	322
Income Tax Act, 1961	Income Tax	Appeal to be filed in the High Court	A.Y. 2006-07	1348

- 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 provision 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 loan raised during the year, the Company 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 investments.
- 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 as given in the financial statements 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 9(a))*
- (b) *Payment of managerial remuneration amounting to Rs. 5043 ('000) (including Rs. 3161 ('000) for the year) is subject to approval of the Central Government. (Note 23(a))*
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 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 Statement of 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 2012 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 8(a) to the financial statements regarding non availability of details relating to Micro, Small and Medium Enterprise Development Act, 2000 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, 2012;
- (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 : 4th May, 2012

Statement of Profit & Loss for the year ended 31st March, 2012

(Rs. in thousand)

	Note No.	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
Revenue from operations	19	986,533	914,447
Other Income	20	14,731	12,398
Total Revenue		1,001,264	926,845
Expenses			
Cost of Materials Consumed	21	593,492	533,327
Changes in inventories of finished goods, work in progress and Stock-in-trade	22	(11,831)	(13,493)
Employee benefits expense	23	161,343	140,587
Finance Costs	24	51,103	41,246
Depreciation and amortization expense	11	19,928	17,325
Other expenses	25	146,635	146,316
Total Expenses		960,670	865,308
Profit before tax		40,594	61,537
Tax expense:			
(1) Current tax		8,647	14,136
(2) Mat Credit Entitlement		(8,647)	—
(3) Deferred tax	5	8,566	1,311
(4) Income tax relating to earlier years		—	500
Profit/(Loss) for the period		32,028	45,590
Earnings per equity share:			
(1) Basic		4.21	6.00
(2) Diluted		4.21	6.00
Significant Accounting Policies	1		

See accompanying notes to the financial statements

This is the Statement of Profit & Loss referred to in our Report of even date.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 4th May, 2012

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, 2012

(Rs. in thousand)

	Note No.	As at 31st March, 2012	As at 31st March, 2011
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
(a) Share capital	2	76,033	76,033
(b) Reserves and surplus	3	331,998	306,239
Non-current liabilities			
(a) Long-term borrowings	4	46,727	59,334
(b) Deferred tax liabilities (Net)	5	12,059	3,493
(c) Other Long-term liabilities	6A	14,400	—
(d) Long-term provisions	6B	20,346	12,665
Current liabilities			
(a) Short-term borrowings	7	255,231	205,077
(b) Trade payables	8	205,759	187,086
(c) Other current liabilities	9	190,610	133,565
(d) Short-term provisions	10	52,391	46,144
TOTAL		1,205,554	1,029,637
<u>ASSETS</u>			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	358,276	347,967
(ii) Intangible assets	11	5,660	7,549
(b) Non-current investments	12	2,203	103
(c) Long-term loans and advances	13	130,369	93,850
Current assets			
(a) Inventories	14	258,944	201,817
(b) Trade receivables	15	280,415	250,949
(c) Cash and cash equivalents	16	35,251	22,053
(d) Short-term loans and advances	17	128,791	103,247
(e) Other current assets	18	5,646	2,103
TOTAL		1,205,554	1,029,637
Significant Accounting Policies	1		

See accompanying notes to the financial statements
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: 4th May, 2012

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, 2012

	For the Year ended 31.03.12	(Rs in ' 000) For the Year ended 31.03.11
Net Profit/ (Loss) before tax and after exceptional items	40,594	61,537
A Adjustment For :-		
Depreciation	19,928	17,326
(Profit)/Loss on sale of Fixed Assets	—	(6,863)
Interest Income	(724)	(581)
Interest expense	51,103	41,247
Provision for doubtful debts	—	800
Provision for LD & Warranty	2,000	—
Provision for LD & Warranty written back	(4,400)	—
Foreign Exchange Fluctuation Gain	(934)	(727)
Foreign Exchange Fluctuation Loss	975	3,465
Bad debt written off	—	101
Provisions/liabilities no longer required written back	(11,059)	(3,819)
Irrrecoverable Balances written off	—	544
Operating Profit/(loss) before working capital changes	97,483	113,030
Adjustment For :-		
Trade & other receivables	(73,422)	(52,865)
Inventories	(57,127)	(48,831)
Trade & other payables	108,858	50,372
	<u>75,792</u>	<u>61,706</u>
Foreign Exchange Fluctuation Loss (net of gain)	(41)	(2,738)
Cash generated from/ (used in) operating activities	75,751	58,968
Taxes (paid)/ Refund received	(12,811)	(10,955)
Net Cash generated from/ (used in) Operating Activities	62,940	48,013
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(34,617)	(23,305)
Sale of Fixed Assets	—	6,863
Purchase of Investment	(2,100)	—
Decrease (Increase) in Capital WIP	—	(20,814)
Interest Received	531	731
Net Cash generated from/ (used in) Investment Activities	(36,186)	(36,525)

Cash Flow Statement for the year ended 31st March, 2012 (Contd.)

	For the Year ended 31.03.12	(Rs in ' 000) For the Year ended 31.03.11
C. CASH FLOW FINANCING ACTIVITIES		
Interest paid	(51,103)	(41,247)
Increase/(Decrease) in borrowings	37,547	28,363
Net Cash generated from/ (used in) Financing Activities	<u>(13,556)</u>	<u>(12,884)</u>
Net Increase/ (decrease) In Cash & Cash equivalents	<u>13,198</u>	<u>(1,396)</u>
Cash & Cash equivalents at beginning	22,053	23,449
Cash & Cash equivalents at closing	35,251	22,053
Net Increase/ (decrease) in cash & cash equivalents	<u>13,198</u>	<u>(1,396)</u>

Notes :

- 1) Cash and Bank balance includes Rs. 21,648 (Previous year Rs. 16,893) 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.

As per our attached report
of even date

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 4th May, 2012

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

Note 1

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) 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.

(c) 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.

(d) Fixed Assets and Depreciation:

- a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Note 11 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 Statement of Profit & Loss Account.

(e) 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.

(f) 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.

(g) Taxes on income :

Provision for tax is made for current and deferred taxes. 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.

(h) Investments:

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

(i) 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.

(j) Government Grants :

Grants are recognized as capital or revenue depending upon the purpose and utilization of the proceeds there against. Revenue grants including subsidy/rebates etc are credited to the Statement of Profit and Loss under “Other Income” or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve account or adjusted in the cost of such assets as the case may be.

(k) 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.

(l) Finance Lease:

Assets acquired on finance leases are capitalised and a corresponding liability disclosed as lease obligations under “Borrowings”. 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.

(m) 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.

(n) 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.

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	(Rs in ' 000)	
	As at 31st March, 2012	As at 31st March, 2011
2) SHARE CAPITAL		
AUTHORISED:		
100,00,000 Equity Shares of Rs. 10/- each	100,000	100,000
ISSUED:		
76,67,963 Equity Shares of Rs. 10/- each	76,680	76,680
SUBSCRIBED AND FULLY PAID UP		
75,96,499 Equity Shares of Rs. 10/- each	75,965	75,965
SUBSCRIBED AND NOT FULLY PAID UP		
13,600 Equity Shares of Rs. 10/- each	68	68
Rs.5/- Paid on application & forfeited		
TOTAL	<u>76,033</u>	<u>76,033</u>
Shareholders holding more than 5% shares	No. of shares	No. of shares
Name of Shareholder		
Continuous Forms (Calcutta) Limited	1,093,352	1,148,052
ISG Traders Limited	942,302	1,086,302
3) RESERVES AND SURPLUS		
Capital Investment Subsidy Reserve	2,000	2,000
Capital reserve in terms of the scheme of arrangement on revaluation of fixed assets	6,269	55,873
Transfer to profit & loss account		
Being depreciation on revalued assets	(6,269)	(9,149)
(Refer Note 11(f))		
Transferred from Fixed Assets on Sale	—	(40,455)
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		
Opening Balance	130,904	85,314
Add: Profit for the year transferred from Statement of Profit & Loss	32,028	45,590
Balance at the end of the year	<u>162,932</u>	<u>130,904</u>
TOTAL	<u>331,998</u>	<u>306,239</u>
4) LONG TERM BORROWINGS		
Term Loan from Indian Overseas Bank	46,727	59,334
Loan from Orix Auto Infrastructure Services Ltd	—	—
Finance lease obligation to Orix Auto Infrastructure Services Ltd	—	—
TOTAL	<u>46,727</u>	<u>59,334</u>
a) Loan taken from Indian Overseas Bank is secured by exclusive 1st charge on entire plant and machinery and other moveable fixed assets of the Company and equated mortgage of land and building of Nalagarh unit and 2nd pari pasu charge on all the current assets of the Company both present & future and is repayable in 60 monthly instalments of Rs. 1170/- each starting from 30th June, 2011 (increased to Rs. 1239/- from November, 2011) and 52 monthly installment of Rs. 1173/- starting from February, 2012.		
b) Loan taken from Orix Auto Infrastructure services Ltd. is secured against Plant & Machinery acquired against the said loan and is repayable in Rs. 48/- equated monthly instalments of Rs. 40/- each (starting from December 2007) and Rs. 888/- each (starting from February 2008).		
c) Finance Lease obligation is secured against Cars taken on Finance Lease and is repayable in 60 monthly instalments of Rs. 39/- each starting from April 2007.		

Notes to the Financial Statements (Contd.)

5) DEFERRED TAX LIABILITITES (NET)

(Rs in ' 000)

	Opening		(Charge)/credit for the year ended		Closing Balance	
	As on 01.04.11	As on 01.04.12	31.03.2012	31.03.2011	As on 01.04.12	As on 01.04.11
Deferred Tax Assets :						
Unabsorbed Depreciation	11,540	8,656	(8,936)	2,884	2,604	11,540
Provision for leave	3,328	2,408	989	920	4,317	3,328
Provision for gratuity	889	72	1,476	817	2,365	889
	15,757	11,136	(6,472)	4,621	9,285	15,757
Deferred Tax Liabilities :						
Depreciation Difference	(19,250)	(13,318)	(2,094)	(5,932)	(21,344)	(19,250)
Net Deferred Tax Asset/(Liabilities)	(3,493)	(2,182)	(8,566)	(1,311)	(12,059)	(3,493)

6A) OTHER LONG TERM LIABILITIES

Development Grant Received for BTS

As at 31st March,
2012

As at 31st March,
2011

14,400

—

14,400

—

The development grant is for financial support for design and development of 'Biological Toilet System' (BTS) under TDDP release and will be refunded on production at full capacity of the said project by one of the subsidiary of the Company

6B) LONG TERM PROVISIONS

Provision for employee benefits

Provision for Gratuity

Provision for Leave

7,288

2,739

13,058

9,927

20,346

12,665

7) SHORT TERM BORROWINGS

Cash Credit from Banks

255,231

205,077

255,231

205,077

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 moveable fixed assets of the Company on a pari pasu basis

8) TRADEPAYABLES

Acceptances

Trade Payables

4,000

5,000

201,759

182,086

205,759

187,086

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.

Notes to the Financial Statements (Contd.)

	As at 31st March, 2012	(Rs in ' 000) As at 31st March, 2011
9) OTHER CURRENT LIABILITIES		
Current maturities of long term debt	28,960	17,400
Current maturities of finance lease obligations	101	389
Book Overdraft	2,819	1,462
Unpaid Dividend	525	525
Other Payables	158,205	113,790
	<u>190,610</u>	<u>133,565</u>

a) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous year and previous period 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 and included under 'Other Payables'.

b) 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 liability to that extent. The balance liability of Rs. 5,196 has been carried forward under 'Other Payables' pending final decision and determination of liability in this respect and the same has been considered to be adequate.

10) SHORT TERM PROVISIONS

Current Tax	45,517	36,870
Fringe Benefit Tax	2,790	2,790
Provision for LD & Warranty	4,084	6,484
Total	<u>52,391</u>	<u>46,144</u>

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

Particulars	Opening Balance as on 01.04.11	Further provision during the year	Provision Adjusted during the year	Closing balance as on 31.03.12
Provision for liquidated damages	434	—	—	434
Provision for warranty	6,050	2,000	(4,400)	3,650
	<u>6,484</u>	<u>2,000</u>	<u>(4,400)</u>	<u>4,084</u>

Notes to the Financial Statements (Contd.)

Note 11 - FIXED ASSETS

		(Rs in '000)												
	As at 01.04.11	Gross Block At Cost			Impairment		Depreciation			Net Block				
		Additions during the year ended 31.03.12	Sales/Adjustment for the year ended 31.03.12 (at Cost)	Sales/Adjustment for the year ended 31.03.12 (Revalued Figure)	As at 31.03.12	As at 01.04.11	For the year ended 31.03.12	As at 31.03.12	Sales/Adjustment for the year ended 31.03.12	Sales/Adjustment for the year ended 31.03.12 (on revalued portion)	For the year ended 31.03.12	As at 31.03.12	As at 31.03.11	
A. TANGIBLE ASSETS:														
Leasehold Land & Buildings	15,072	1,130	-	16,202	-	-	4,879	-	-	-	255	5,134	11,068	10,193
Freehold Land & Buildings	12,429	-	-	12,429	-	-	1,649	-	-	-	200	1,849	10,580	10,780
Freehold Land at Buddy	12,741	100	-	12,841	-	-	-	-	-	-	-	-	12,841	12,741
Freehold Building at Buddy	42,837	-	-	42,837	-	-	1,148	-	-	-	698	1,846	40,991	41,689
Plant & Machinery	423,336	27,681	-	451,017	24,100	24,100	157,892	-	-	-	15,798	173,690	253,227	241,343
Furniture Fittings & Electrical Installations	50,578	1,517	-	52,095	-	-	34,683	-	-	-	3,311	37,994	14,101	15,895
Vehicles	1,373	-	-	1,373	-	-	1,012	-	-	-	56	1,068	305	361
Tools	25,151	2,604	-	27,755	-	-	11,267	-	-	-	2,241	13,508	14,247	13,884
Leasehold Vehicle	1,741	-	-	1,741	-	-	660	-	-	-	165	825	916	1,081
													358,276	347,967
B. INTANGIBLE ASSETS:														
Technical Know How	7,967	-	-	7,967	-	-	6,384	-	-	-	1,166	7,550	417	1,583
Computer Software	8,113	1,585	-	9,698	-	-	4,204	-	-	-	2,308	6,512	3,186	3,909
Inhouse Technology	2,057	-	-	2,057	-	-	-	-	-	-	-	-	2,057	2,057
Total	603,395	34,617	-	638,012	24,100	24,100	223,778	-	-	-	26,198	249,976	363,936	355,516
Previous Year	653,548	23,305	24,999	603,394	24,100	24,100	230,306	24,999	8,004	-	26,475	223,778	355,516	-

Notes to the Financial Statements (Contd.)

Note 11 - FIXED ASSETS (Contd.)

- a) 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's possession.
- b) Fixed Assets include flat at New Delhi in which the Company has one - third ownership share and is in the Company's joint possession.
- c) Furniture, fittings and Electrical installations includes computer & computer peripherals.
- d) 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 31.03.2012	Year Ended 31.03.2011
Freehold Buildings	1.63%	1.63%
Leasehold Factory Buildings	3.34%	3.34%
Leasehold Office Buildings	1.63%	1.63%
Plant & Machinery : Single Shift	4.75%	4.75%
Used in manufacture of Electronic Goods - Single shift	5.38%	5.38%
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 Know How Fees	25.00%	25.00%
Tools	11.31%	11.31%

* Items below Rs. 5000 each have been depreciated @ 100%

- e) 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.
- f) 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 valuer 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. 6269/- for the year ended 31st March, 2012 (Previous year Rs. 9,149/-) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.

Notes to the Financial Statements (Contd.)

	(Rs in ' 000)	
	As at 31st March, 2012	As at 31st March, 2011
12) NON CURRENT INVESTMENTS		
UNQUOTED - AT COST		
TRADE		
Investment in Debentures		
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	3	3
OTHER THAN TRADE		
Investment in Equity Instruments		
In subsidiary Companies		
10000 Equity Shares of Rs. 10 each fully paid up in Stone Intermodal Private Limited	100	100
210000 Equity Shares of Rs. 10 each fully paid up in Stone Biotech Private Limited	2,100	—
	<u>2,203</u>	<u>103</u>
13) LONG TERM LOANS AND ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Capital Advance	28,869	28,869
Advance to related parties (Refer Note 29 (C)(d))	89,473	53,797
Earnest Money Deposit		
- Considered good	8,220	7,355
- Considered doubtful	6,520	6,520
Less : Provision for Doubtful Earnest Money Deposit	(6,520)	(6,520)
	<u>8,220</u>	<u>7,355</u>
Security Deposit	3,807	3,829
	<u>130,369</u>	<u>93,850</u>
a) Amount paid for acquiring technical knowhow from MZT Hepoz pending implementation thereof, has been shown as capital advance.		
b) Advances to related parties includes Rs. 82,643 (Previous Year Rs. 53,797) recoverable from Stone Intermodal Private Limited (a subsidiary) being administrative and other costs allocated and payment for knowhow for the development of the product for "Rail Runner Project" to be undertaken by the said subsidiary.		
14) INVENTORIES		
Raw Materials	179,003	133,708
Work-in-Progress	72,556	60,524
Finished Goods	7,384	7,585
	<u>258,944</u>	<u>201,817</u>
a) Work-in-Progress is arrived at after conversion of stocks at various stages of completion to equivalent completed production hours and 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 actual/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.		

Notes to the Financial Statements (Contd.)

	As at 31st March, 2012	(Rs in '000) As at 31st March, 2011
15) TRADE RECEIVABLES		
(Unsecured - considered good unless otherwise stated)		
Over Six Months		
– Considered good	59,493	53,080
– Considered Doubtful	800	800
Other debts		
– Considered good	220,922	197,869
Less : Provision for doubtful debts	(800)	(800)
	<u>280,415</u>	<u>250,949</u>
(*) Due date of 30 days have been considered as the general term for all debtors		
16) CASH AND CASH EQUIVALENTS		
Cash in hand	2,067	1,679
Cash at bank		
– Current Accounts	927	2,871
– Dividend Accounts	609	609
– Margin Money Deposit (Under Lien)	9,985	9,285
– Fixed Deposit		
(Under Lien - Rs. 11663, Previous Year Rs. 7608)	21,663	7,608
	<u>35,251</u>	<u>22,053</u>
a) Fixed deposits held for more than 12 months	75	75
17) SHORT TERM LOANS AND ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Advance to Suppliers	73,281	72,551
Other Loans and Advances	5,453	2,097
Advance to related parties (Details as given in Note 29 (C)(d))	283	283
Advance payment of Income Tax ,		
Fringe Benefit Tax and Tax Deducted at Source	41,127	28,316
MAT Credit Entitlement Receivable	8,647	—
	<u>128,791</u>	<u>103,247</u>
18) OTHER CURRENT ASSETS		
(Unsecured - considered good unless otherwise stated)		
Deposit with government authorities etc.	4,745	1,844
Interest Receivable	901	258
	<u>5,646</u>	<u>2,103</u>

Notes to the Financial Statements (Contd.)

	(Rs in ' 000)	
	For the Year ended 31.03.12	For the Year ended 31.03.11
19) REVENUE FROM OPERATIONS		
Sale of Products		
Inland	1,068,860	990,282
Export	5,741	7,268
Sale of Services	10,163	7,639
Less : Excise Duty on sale of products	(97,282)	(90,028)
Less: Service tax on sale of services	(949)	(713)
Net Sales	<u>986,533</u>	<u>914,447</u>
a) Earnings in foreign exchange FOB value of exports	5,741	7,268
20) OTHER INCOME		
Foreign Exchange Gain	934	727
Service Income	2,000	—
Profit on Sale of Fixed Assets	—	6,863
Liabilities no longer required, written back	11,059	3,819
Interest income	724	581
Miscellaneous Receipts	14	409
	<u>14,731</u>	<u>12,398</u>
21) COST OF MATERIAL CONSUMED		
Opening Stock of Raw Material	133,708	98,370
Add: Purchases	623,857	554,769
Duty, Landing, Clearing & Freight	16,098	15,903
Less: Sale of scrap	(1,167)	(2,008)
Less: Closing Stock	(179,003)	(133,708)
	<u>593,492</u>	<u>533,327</u>
a) Raw Materials Consumed (*)		
Items		
**Ferrous Metal	2,214	1,990
**Non-Ferrous Metal	2,290	2,058
Stampings	15,139	13,604
Castings	24,024	21,588
Bearings	12,330	11,080
Piece Parts [includes A.C.Spares]	537,344	482,871
***Others	151	136
	<u>593,492</u>	<u>533,327</u>
* Raw materials 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.		
b) Consumption of raw material, spare parts and components	%	%
Imported	5.78%	5.98%
Indigenous	94.22%	94.02%
	<u>100.00%</u>	<u>100.00%</u>
	36,053	33,769
	587,712	530,909
	<u>623,765</u>	<u>564,678</u>
c) C.I.F. Value of Imports		
Raw Materials	25,414	35,599
Components and spare parts	3,351	5,897
Capital goods	4,360	—
	<u>33,125</u>	<u>41,496</u>

Notes to the Financial Statements (Contd.)

	For the Year ended 31.03.12	(Rs in '000) For the Year ended 31.03.11
22) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Work in Progress	60,524	46,896
Finished Goods	7,585	7,720
Closing Stock		
Work in Progress	(72,556)	(60,524)
Finished Goods	(7,384)	(7,585)
	<u>(11,831)</u>	<u>(13,493)</u>
23) EMPLOYEE BENEFIT EXPENSE		
Salaries and Wages	133,321	114,951
Contribution to Provident and Other Funds	14,552	14,332
Staff Welfare	13,470	11,304
	<u>161,343</u>	<u>140,587</u>
a) Remuneration amounting to Rs. 3,161 ('000) for the year ended 31st March, 2012 and Rs. 1,882 ('000) for the year ended 31st March, 2011 to the Managing Director is in excess of the approval received from the Central Government. Steps are being taken to take necessary approval in this respect.		
24) FINANCE COSTS		
Interest Expense	46,225	36,091
Other borrowing costs	4,878	5,155
	<u>51,103</u>	<u>41,246</u>
25) OTHER EXPENSES		
Consumption of Stores	30,273	31,351
Power and Fuel	12,680	11,458
Insurance	538	550
Rent (Net)	4,345	4,322
Rates & Taxes	1,059	1,553
Selling & Distribution Expenses	5,752	7,890
Commission	4,923	4,921
Business Development Expenses	514	627
Legal & Professional Expenses	18,457	12,955
Repairs :		
Buildings	275	1,453
Plant & Machinery	556	411
Others	4,206	3,847
Freight & Transport	19,327	17,650
Travelling & Conveyance	18,835	15,805
Postage, Telephone & Stationery	6,883	7,163
Provision for bad debts & Others	—	800
Bad Debts	—	101
Provision for LD & warranty	2,000	—
Provision for LD & warranty written back	(4,400)	—
Royalty	1,448	1,755
Irrecoverable Balances written off	—	544
Foreign Exchange Loss	975	3,465
Bank Charges	6,077	8,116
Miscellaneous expenses	11,912	9,579
	<u>146,635</u>	<u>146,316</u>

Notes to the Financial Statements (Contd.)

(Rs in ' 000)

	For the Year ended 31.03.12	For the Year ended 31.03.11
a) Payments to the auditors (included in Legal & Professional charges) :		
As auditor (including quarterly audit fees)	150	150
For other services		
Quarterly audit fees	240	240
Other Certifications	98	98
	488	488
b) Expenditure in foreign currency		
Royalty	1,448	1,755
Professional and consultancy fees	4,833	3,388
	6,281	5,143

26) Contingent Liabilities and Commitments

Particulars	As at 31.03.2012	As at 31.03.2011
Claims against the Company not acknowledged as debts:		
– in respect of Sales tax matters in dispute	7,021	4,501
– in respect of Income matters in dispute	1,348	1,348
– demand raised by technology supplier for which the arbitration award is awaited	15,600	15,600
Commitments on Capital Accounts (net of advances)		
Tangible Assets	1,881	5,253
Intangible Assets	18,870	18,870

27) Certain debit and credit balances including trade receivables (Note 15), trade payables (Note 8), loans and advances (Note 13 & 17) are subject to confirmation and reconciliation arising therefrom.

28) Earning per share

Particulars	Year ended 31.03.12	Year ended 31.03.11
(a) Net Profit/(Net Loss) attributable to equity holders (in Rs.)	32,028	45,590
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	7,603,299	7,603,299
(c) Basic and Diluted Earnings per share in Rs. (Face value Rs. 10/- per share) (a)/(b)	4.21	6.00

29) Related Party Disclosures:

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

(a) Enterprise where control exists: Stone Intermodal Private Limited and Stone Biotech Private Limited (Subsidiaries)

(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
- x) Julex Commercial Pvt Ltd

(c) Key Management Personnel (KMP)

Mr. A. Mondal : Managing Director & CEO
Mr. S.V. Goenka : Wholetime Director

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

Notes to the Financial Statements (Contd.)

(B) The parties listed in (b) above though not required to be disclosed as per requirements of AS-18, 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:

a) Transactions with Subsidiaries:

	Year ended 31.03.12	Year ended 31.03.11
Service Income		
Stone Biotech Private Limited	2,000	—
Advance Given		
Stone Intermodal Private Limited	28,846	20,281
Stone Biotech Private Limited	6,830	NIL

b) Transactions with Associate Companies:

	Year ended 31.03.12	Year ended 31.03.11
Julex Commercial Pvt Ltd		
Commission	4,923	4,921
Odyssey Travels Ltd.		
Travelling Expenses	1,105	696

c) Transactions with key management personnel:

	Year ended 31.03.12	Year ended 31.03.11
Remuneration		
Mr. A. Mondal	12,181	10,902
Mr. S. V. Goenka	3,200	3,200

d) Balances with above related parties :

	As at 31.03.12	As at 31.03.11
Associate Companies		
Odyssey Travels Ltd. (Payable)	89	32
Duncan Industries Limited (Advance)	283	283
Seward Investments Private Limited (Payable)	10	10
Subsidiaries		
Stone Intermodal Private Limited (Advance)	82,643	53,797
Stone Biotech Private Limited (Advance)	6,830	NIL

Notes:

- i) In respect of above parties, there is no further provision for doubtful debts as on 31st March 2012 and no amount has been written off or written back during the year in respect of debts due from/to them.
- ii) The above Related Parties information is as identified by the Management and relied upon by the auditors.

Notes to the Financial Statements (Contd.)

30) Disclosure of Lease Payments as per AS-19

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

Particulars	As at 31.03.12	As at 31.03.11
Not later than one year	112	472
Later than one year and not later than 5 years	—	—
Later than 5 years	—	—
	112	472
Less: Amount representing future interest	11	83
Present Value of minimum lease rentals	101	389

31) Employee Benefits:

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

a) Defined Contribution Scheme :

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

Employer's Contribution to Provident Fund – Rs. 4,084 (Previous Year Rs. 3,335)

Employer's Contribution to Pension Fund – Rs. 2,547 (Previous Year Rs. 2,408)

Employer's Contribution to Superannuation Fund – Rs. 1,268 (Previous Year Rs. 1,305)

b) 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.

Particulars	Gratuity	Gratuity	Leave	Leave
	(Funded)	(Funded)	Encashment	Encashment
	31/03/2012	31/03/2011	(Non-Funded)	(Non-Funded)
			31/03/2012	31/03/2011
1 Current Service Cost	1,760	1,420	1,887	1,851
2 Interest Cost	2,061	1,603	733	506
3 Expected return on plan assets	(2,140)	(1,922)	—	—
4 Past Service Cost (Refer Note ii below)	(838)	1,148	(272)	—
5 Actuarial Losses/(Gains)	5,207	2,855	2,893	2,870
Total Expenses	6,049	5,104	5,241	5,227
Change in the obligation during the year ended March 31, 2012				
1 Present value of Defined Benefit Obligation at the beginning of the year	25,843	21,157	10,258	7,791
2 Current Service Cost	1,760	1,420	1,887	1,851
3 Interest Cost	2,061	1,603	733	506
4 Benefit Paid	(159)	(1,723)	(2,194)	(2,760)
5 Actuarial (Gains) / Losses	4,633	2,238	2,893	2,870
6 Planned Amendment Cost (Refer Note ii below)	(838)	1,148	(272)	—
Present value of Defined Benefit Obligation at the end of the year	33,300	25,843	13,306	10,258

Notes to the Financial Statements (Contd.)

Particulars	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Non-Funded)	Leave Encashment (Non-Funded)
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
Change in Assets during the year ended March 31, 2012				
1 Plan Assets at the beginning of the year	23,105	20,923	—	—
2 Contribution by Employer	1,500	2,600	2,194	2,760
3 Expected return on plan assets	2,140	1,923	—	—
4 Benefit Paid	(159)	(1,723)	(2,194)	(2,760)
5 Actuarial Gains/(Losses)	(574)	(617)	—	—
Plan Assets at the end of the year	26,012	23,105	—	—
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2012				
1 Net Asset/(Liability) at beginning of the year	(2,739)	(234)	(10,258)	(7,791)
2 Employer Expenses	(6,049)	(5,104)	(5,241)	(5,227)
3 Employer Contributions/Payment	1,500	2,600	2,194	2,760
4 Net Asset/(Liability) at the end of the year	(7,288)	(2,739)	(13,306)	(10,258)
Actuarial Assumptions				
1 Discount Rate	8.60%	8.00%	8.60%	8.00%
2 Expected Rate of Return on Plan Assets	9.00%	9.00%	—	—

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.
- Past Service Cost has been accrued on account of increase in the age limit from 58 years to 60 years and change in leave policy. In the previous year, Past Service Cost has been accrued on account of increase in the Ceiling Limit of Gratuity under the Payment of Gratuity Act, 1972.
- Certain employees are deployed for various projects at the subsidiary and their salaries are debited to these companies. However, the amount of benefits like gratuity and leave encashment remains included in the cost as above.

ii) Disclosure in terms of Para 120(n) of AS 15 (revised 2005)

Particulars	Gratuity (Funded)			
	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Present Value of Defined Benefit Obligation	33,300	25,843	21,157	18,733
Fair Value of Plan Assets	26,012	23,105	20,923	16,739
Surplus/(Defecit)	(7,288)	(2,738)	(234)	(1,994)
Experience Adjustments on Plan Liabilities - (Loss)/Gain	(1,050)	(2,423)	(891)	296
Experience Adjustments on Plan Assets - (Loss)/Gain	(574)	(617)	1,548	(1,121)

Notes to the Financial Statements (Contd.)

Particulars	Gratuity (Funded)			
	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Present Value of Defined Benefit Obligation	13,306	(10,258)	(7,791)	(8,108)
Experience Adjustments on Plan Liabilities - (Loss) / Gain	(1,317)	(2,955)	(1,069)	968

- 32) 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.
- 33) All the numerical figures stated hereinabove has been expressed in terms of Rs. in thousand.
- 34) Previous year's figures have been re-arranged / re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

H. S. Jha
Partner

Place: Kolkata
Date: 4th May, 2012

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

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

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

1. Name of the Company	STONE INTERMODAL PRIVATE LIMITED	STONE BIO-TECH PRIVATE LIMITED		
2. Financial Year ended on	31st March, 2012	31st March, 2012		
3. Holding Company's Interest	Out 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.	Out of the total subscribed capital of Rs. 30,00,000/- consisting of 3,00,000 Equity Shares of Rs. 10/- each, 2,10,000 Equity Shares of Rs. 10/- each, amounting to Rs. 21,00,000/- are held by the Company with its two nominees.		
	For the year ended 31st March 2012 Rs.	For the year ended 31st March 2011 Rs.	For the year ended 31st March 2012 Rs.	For the year ended 31st March 2011 Rs.
3. The net aggregate amount of Subsidiary's Profit/(Loss) not dealt with in the Company's Account :	NIL	NIL	NIL	NIL
4. The net aggregate amount of Subsidiary's Profit/(Loss) dealt with in the Company's Account	NIL	NIL	NIL	NIL

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 : 4th May, 2012

**Statement Under Section 212 of the Companies Act, 1956 Relating to
Subsidiary Companies in terms of the Circular no.2/2011 dated 8th February,
2011 issued by the Ministry of Corporate Affairs, Government of India**

Serial No.	Particulars	Stone Intermodal Private Limited		Stone Bio-Tech Private Limited	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011 *
1	Capital				
	Authorised	100,000,000	100,000,000	10,000,000	—
	Issued & Subscribed	100,000	100,000	3,000,000	—
2	Reserves	—	—	(85,26,817)	—
3	Total Assets	127,870,185	94,303,930	2,630,129	—
4	Total Liabilities	127,770,185	94,203,930	8,156,946	—
5	Details of Investment (except Investment in Subsidiary)	—	—	—	—
6	Turnover	—	—	1,258,771	—
7	Profit/(Loss) before Taxation	—	—	(85,26,817)	—
8	Provision for Taxation	—	—	—	—
9	Profit/(Loss) after Taxation	—	—	(85,26,817)	—
10	Proposed Dividend	—	—	—	—

* Stone Bio-Tech Pvt. Ltd. was incorporated on 20.05.2011

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

Place : Kolkata
Date : 4th May, 2012

Consolidated Financial Statements

Auditors' Report

TO THE BOARD OF DIRECTORS OF STONE INDIA LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
STONE INDIA LIMITED AND ITS 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, 2012 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 the financial statements 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 9(a))
 - (b) Payment of managerial remuneration amounting to Rs. 50.43 lacs (including Rs. 31.61 lacs for the year) is subject to approval of the Central Government. (Note 23(a))
- 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 as 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 8(a) of the financial statement 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:
 - (i) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;
 - (ii) 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
 - (iii) 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. 055854

Place : Kolkata
Date : 4th May, 2012

Statement of Profit & Loss (Consolidated) for the year ended 31st March, 2012

(Rs. in thousand)

	Note No.	For the Year ended 31st March 2012	For the Year ended 31st March 2011
Revenue from operations	19	987,792	914,447
Other Income	20	12,731	12,398
Total Revenue		1,000,523	926,845
Expenses			
Cost of Materials Consumed	21	595,042	533,327
Changes in inventories of finished goods, work in progress and Stock-in-trade	22	(12,996)	(13,493)
Employee benefits expense	23	165,936	140,587
Finance Costs	24	51,103	41,246
Depreciation and amortization expense	11	19,932	17,325
Other expenses	25	149,440	146,316
Total Expenses		968,457	865,308
Profit before tax		32,066	61,537
Tax expense:			
(1) Current tax		8,647	14,136
(2) Mat Credit Entitlement		(8,647)	—
(3) Deferred tax	5	8,566	1,311
(4) Income tax relating to earlier years		—	500
Profit for the year		23,500	45,590
Minority Interest		(16)	—
Net Profit for the year		23,516	45,590
Earnings per equity share:			
(1) Basic		3.09	6.00
(2) Diluted		3.09	6.00
Significant Accounting Policies	1		

See accompanying notes to the financial statements

This is the Statement of Profit & Loss referred to in our Report of even date.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 4th May, 2012

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 (Consolidated) as at 31st March, 2012

(Rs. in thousand)

	Note No.	As at 31st March, 2012	As at 31st March, 2011
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
(a) Share capital	2	76,033	76,033
(b) Reserves and surplus	3	323,486	306,239
Minority Interest		884	—
Non-current liabilities			
(a) Long-term borrowings	4	46,727	59,334
(b) Deferred tax liabilities (Net)	5	12,059	3,493
(c) Other Long-term liabilities	6A	60,122	36,640
(d) Long-term provisions	6B	20,346	12,665
Current liabilities			
(a) Short-term borrowings	7	255,231	205,077
(b) Trade payables	8	206,359	187,086
(c) Other current liabilities	9	190,687	137,278
(d) Short-term provisions	10	52,445	46,198
TOTAL		<u>1,244,380</u>	<u>1,070,044</u>
<u>ASSETS</u>			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	358,310	347,967
(ii) Intangible assets	11	5,712	7,549
(iii) Capital Work in Progress	11	127,691	93,916
(b) Non-current investments	12	3	3
(c) Long-term loans and advances	13	40,896	40,053
Current assets			
(a) Inventories	14	260,109	201,817
(b) Trade receivables	15	280,913	250,949
(c) Cash and cash equivalents	16	35,933	22,383
(d) Short-term loans and advances	17	128,951	103,304
(e) Other current assets	18	5,862	2,103
TOTAL		<u>1,244,380</u>	<u>1,070,044</u>

Significant Accounting Policies

1

See accompanying notes to the financial statements

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: 4th May, 2012

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 Cash Flow Statement for the year ended 31.03.2012

	For the Year ended 31.03.12	(Rs in ' 000) For the Year ended 31.03.11
Net Profit/ (Loss) before tax and after exceptional items	32,066	61,537
A Adjustment For :-		
Depreciation	19,932	17,326
(Profit)/Loss on sale of Fixed Assets	—	(6,863)
Interest Income	(724)	(581)
Interest expense	51,103	41,247
Provision for doubtful debts	—	800
Provision for LD & Warranty	2,000	—
Provision for LD & Warranty written back	(4,400)	—
Foreign Exchange Fluctuation Gain	(934)	(727)
Foreign Exchange Fluctuation Loss	975	3,465
Bad debt written off	—	101
Provisions/liabilities no longer required written back	(11,059)	(3,819)
Irrrecoverable Balances written off	—	544
Operating Profit/(loss) before working capital changes	88,959	113,030
Adjustment For :-		
Trade & other receivables	(38,115)	(32,586)
Inventories	(58,292)	(48,831)
Trade & other payables	114,905	54,014
	<u>107,458</u>	<u>85,627</u>
Foreign Exchange Fluctuation Loss (net of gain)	(41)	(2,738)
Cash generated from/ (used in) operating activities	107,417	82,889
Taxes (paid)/ Refund received	(12,811)	(10,994)
Net Cash generated from/(used in) Operating Activities	94,606	71,895
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(34,707)	(23,305)
Sale of Fixed Assets	—	6,863
Decrease (Increase) in Capital WIP	(33,774)	(81,694)
Interest Received	81	731
Net Cash generated from/ (used in) Investment Activities	(68,400)	(97,405)

Consolidated Cash Flow Statement for the year ended 31.03.2012

	For the Year ended 31.03.12	(Rs in ' 000) For the Year ended 31.03.11
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of share capital	900	—
Interest paid	(51,103)	(41,247)
Increase/(Decrease) in borrowings	37,547	28,364
Net Cash generated from/ (used in) Financing Activities	(12,656)	(12,883)
Net Increase/ (decrease) In Cash & Cash equivalents	13,550	(38,393)
Cash & Cash equivalents at beginning	22,383	60,776
Cash & Cash equivalents at closing	35,933	22,383
Net Increase/ (decrease) in cash & cash equivalents	13,550	(38,393)

Notes :

- 1) Cash and Bank balance includes Rs 21,648 (Previous year Rs 16,893) 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/periods figure's 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: 4th May, 2012

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

Note 1
SIGNIFICANT ACCOUNTING POLICIES
(a) Principles of Consolidation

- (i) 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 31st March, 2012, the same reporting date as that of the Company.
- (ii) The Subsidiary which has been included in this Consolidated Financial Statements along with the Company's holdings therein are under:

Name of the Company	Country of Incorporation	% Voting Power	Date of acquisition
Stone Intermodal Private Limited	India	100%	15th October, 2008
Stone Biotech Private Limited	India	70%	19th August, 2011 & 26th March, 2012

(b) 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.

(c) 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.

(d) 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.

(e) Fixed Assets and Depreciation :

- a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Note 11 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 Statement of Profit & Loss Account.

(f) 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.

(g) 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.

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

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.

(h) Taxes on income

Provision for tax is made for current and deferred taxes. 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.

(i) Investments:

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

(j) 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.

(k) Government Grants

Grants are recognized as capital or revenue depending upon the purpose and utilization of the proceeds there against. Revenue grants including subsidy / rebates etc are credited to the Statement of Profit and Loss under "Other Income" or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve account or adjusted in the cost of such assets as the case maybe.

(l) 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.

(m) Finance Lease:

Assets acquired on finance leases are capitalised and a corresponding liability disclosed as lease obligations under "Borrowings". 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.

(n) 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.

(o) 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.

(p) 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.

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	As at 31st March, 2011
(Rs in ' 000)		
2) SHARE CAPITAL		
AUTHORISED:		
100,00,000 Equity Shares of Rs. 10/- each	100,000	100,000
ISSUED:		
76,67,963 Equity Shares of Rs. 10/- each	76,680	76,680
SUBSCRIBED AND FULLY PAID UP		
75,96,499 Equity Shares of Rs. 10/- each	75,965	75,965
SUBSCRIBED AND NOT FULLY PAID UP		
13,600 Equity Shares of Rs. 10/- each	68	68
Rs. 5/- Paid on application & forfeited		
TOTAL	76,033	76,033
Shareholders holding more than 5% shares	No. of shares	No. of shares
Name of Shareholder		
Continuous Forms (Calcutta) Limited	1,093,352	1,148,052
ISG Traders Limited	942,302	1,086,302
3) RESERVES AND SURPLUS		
Capital Investment Subsidy Reserve	2,000	2,000
Capital reserve in terms of the scheme of arrangement on revaluation of fixed assets	6,269	55,873
Transfer to profit & loss account		
Being depreciation on revalued assets (Refer Note 11(f))	(6,269)	(9,149)
Transferred from Fixed Assets on Sale	—	(40,455)
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		
Opening Balance	130,904	85,314
Add: Profit for the year transferred from Statement of Profit & Loss	23,516	45,590
Balance at the end of the year	154,420	130,904
TOTAL	323,486	306,239
4) LONG TERM BORROWINGS		
Term Loan from Indian Overseas Bank	46,727	59,334
Loan from Orix Auto Infrastructure Services Ltd	—	—
Finance lease obligation to Orix Auto Infrastructure Services Ltd	—	—
TOTAL	46,727	59,334
a) Loan taken from Indian Overseas Bank is secured by exclusive 1st charge on entire plant and machinery and other moveable fixed assets of the Company and equated mortgage of land and building of Nalagarh unit and 2nd pari pasu charge on all the current assets of the Company both present & future and is repayable in 60 monthly instalments of Rs. 1170 each starting from 30th June, 2011 (increased to Rs. 1239 from November, 2011) and 52 monthly installment of Rs. 1173 starting from February, 2012.		
b) Loan taken from Orix Auto Infrastructure services Ltd. is secured against Plant & Machinery acquired against the said loan and is repayable in 48 equated monthly instalments of Rs. 40 each (starting from December 2007) and Rs. 888 each (starting from February 2008).		
c) Finance Lease obligation is secured against Cars taken on Finance Lease and is repayable in 60 monthly instalments of Rs.39 each starting from April 2007.		

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

5) DEFERRED TAX LIABILITITES (NET)

(Rs in ' 000)

	Opening		(Charge)/credit for the year ended		Closing Balance	
	As on 01.04.11	As on 01.04.10	31.03.2012	31.03.2011	As on 31.03.12	As on 31.03.11
Deferred Tax Assets :						
Unabsorbed Depreciation	11,540	8,656	(8,936)	2,884	2,604	11,540
Provision for leave	3,328	2,408	989	920	4,317	3,328
Provision for gratuity	889	72	1,476	817	2,365	889
	15,757	11,136	(6,472)	4,621	9,285	15,757
Deferred Tax Liabilities :						
Depreciation Difference	(19,250)	(13,318)	(2,094)	(5,932)	(21,344)	(19,250)
Net Deferred Tax Asset/(Liabilities)	(3,493)	(2,182)	(8,566)	(1,311)	(12,059)	(3,493)

6A) OTHER LONG TERM LIABILITIES

	As at 31st March, 2012	As at 31st March, 2011
Development Grant Received for BTS	14,400	—
Advance Received	45,040	36,640
Security Deposit	682	—
	<u>60,122</u>	<u>36,640</u>

The development grant is for financial support for design and development of Biological Toilet System' (BTS) under TDDP release and will be refunded on production at full capacity of the said project by one of the subsidiary of the Company

6B) LONG TERM PROVISIONS

Provision for employee benefits		
Provision for Gratuity	7,288	2,739
Provision for Leave	13,058	9,927
	<u>20,346</u>	<u>12,665</u>

7) SHORT TERM BORROWINGS

Cash Credit from Banks	255,231	205,077
	<u>255,231</u>	<u>205,077</u>

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 moveable fixed assets of the Company on a pari pasu basis

8) TRADE PAYABLES

Acceptances	4,000	5,000
Trade Payables	202,359	182,086
	<u>206,359</u>	<u>187,086</u>

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.

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

(Rs in '000)

	As at 31st March, 2012	As at 31st March, 2011
9) OTHER CURRENT LIABILITIES		
Current maturities of long term debt	28,960	17,400
Current maturities of finance lease obligations	101	389
Book Overdraft	2,819	1,462
Unpaid Dividend	525	525
Other Payables	158,282	117,503
	<u>190,687</u>	<u>137,278</u>

a) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous year and previous period 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 and included under 'Other Payables'.

b) 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 liability to that extent. The balance liability of Rs. 5,196 has been carried forward under 'Other Payables' pending final decision and determination of liability in this respect and the same has been considered to be adequate.

10) SHORT TERM PROVISIONS

Current Tax	45,571	36,924
Fringe Benefit Tax	2,790	2,790
Provision for LD & Warranty	4,084	6,484
Total	<u>52,445</u>	<u>46,198</u>

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

Particulars	Opening Balance as on 01.04.11	Further provision during the year	Provision Adjusted during the year	Closing balance as on 31.03.12
Provision for liquidated damages	434	—	—	434
Provision for warranty	6,050	2,000	(4,400)	3,650
	6,484	2,000	(4,400)	4,084

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

Note 11 - FIXED ASSETS

(Rs. in '000)

	Gross Block At Cost				Impairment		Depreciation				Net Block		
	As at 01.04.11	Additions during the year ended 31.03.12	Sales/Adjustment for the year ended 31.03.12 (at Cost)	Sales/Adjustment for the year ended 31.03.12 (Revalued Figure)	As at 31.03.12	As at 01.04.11	For the year ended 31.03.12	As at 31.03.12	Sales/Adjustment for the year ended 31.03.12	Sales/Adjustment for the year ended 31.03.12 (on revalued portion)	For the year ended 31.03.12	As at 31.03.12	As at 31.03.11
A. TANGIBLE ASSETS:													
Leasehold Land & Buildings	15,072	1,130	-	16,202	-	4,879	-	-	-	255	5,134	11,068	10,193
Freehold Land & Buildings	12,429	-	-	12,429	-	1,649	-	-	-	200	1,849	10,580	10,780
Freehold Land at Buddy	12,741	100	-	12,841	-	-	-	-	-	-	-	12,841	12,741
Freehold Building at Buddy	42,837	-	-	42,837	-	1,148	-	-	-	698	1,846	40,991	41,689
Plant & Machinery	423,336	27,681	-	451,017	24,100	157,892	-	-	-	15,798	173,690	253,227	241,343
Furniture Fittings & Electrical Installations	50,578	1,552	-	52,130	-	34,683	-	-	-	3,311	37,994	14,136	15,895
Vehicles	1,373	-	-	1,373	-	1,012	-	-	-	56	1,068	305	361
Tools	25,151	2,604	-	27,755	-	11,267	-	-	-	2,241	13,508	14,247	13,884
Leasehold Vehicle	1,741	-	-	1,741	-	660	-	-	-	165	825	916	1,081
												358,310	347,967
B. INTANGIBLE ASSETS:													
Technical Know how	7,967	-	-	7,967	-	6,384	-	-	-	1,166	7,550	417	1,583
Computer Software	8,113	1,585	-	9,698	-	4,204	-	-	-	2,308	6,512	3,186	3,909
Webdesigning	-	55	-	55	-	-	-	-	-	3	3	52	-
Inhouse Technology	2,057	-	-	2,057	-	-	-	-	-	-	-	2,057	2,057
												5,712	7,549
C. Capital Work in Progress												127,691	99,916
Total	603,395	34,707	-	638,102	24,100	223,778	-	-	-	26,201	249,979	491,713	449,432
Previous Year	653,548	23,305	24,999	603,394	24,100	230,306	24,999	8,004	223,778	26,475	449,432	-	-

Note 11 - FIXED ASSETS (Contd.)

- a) 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's possession.
- b) Fixed Assets include flat at New Delhi in which the Company has one-third ownership share and is in the Company's joint possession.
- c) Furniture, fittings and Electrical installations includes computer & computer peripherals.
- d) 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 31.03.2012	Year Ended 31.03.2011
Freehold Buildings	1.63%	1.63%
Leasehold Factory Buildings	3.34%	3.34%
Leasehold Office Buildings	1.63%	1.63%
Plant & Machinery :		
Single Shift	4.75%	4.75%
Used in manufacture of Electronic Goods - Single shift	5.38%	5.38%
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 Know How Fees	25.00%	25.00%
Tools	11.31%	11.31%

* Items below Rs. 5000 each have been depreciated @ 100%

- e) 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.
- f) 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 valuer 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. 6,269 for the year ended 31st March, 2012 (Previous year Rs. 9,149) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.
- g) 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 31.03.12	For the year ended 31.03.11
Opening Balance	93,916	33,036
Salary, Wages & Bonus	6,371	6,249
Contribution of provident fund	171	286
Rates & taxes	—	590
Professional Charges	4,630	6,999
Audit Fees	45	25
Staff Welfare Expenses	474	2,629
Travelling & Conveyance	432	4,861
Interior Decoration	—	166
Misc. Charges	105	325
Registration fees to RDSO	—	2,000
Purchase of Fixed Assets	—	988
Technical knowhow from Rail Runner	21,364	35,760
Bank charges on foreign remittance	43	48
Foreign exchange loss	80	(45)
Purchase of material	58	—
TOTAL	127,691	93,916

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

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

	As at 31 st March, 2012	As at 31 st March, 2011
(Rs in ' 000)		
12) NON CURRENT INVESTMENTS		
UNQUOTED - AT COST		
TRADE		
Investment in Debentures		
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	3	3
	<u>3</u>	<u>3</u>
13) LONG TERM LOANS AND ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Capital Advance	28,869	28,869
Earnest Money Deposit		
- Considered good	8,220	7,355
- Considered doubtful	6,520	6,520
Less : Provision for Doubtful Earnest Money Deposit	(6,520)	(6,520)
	<u>8,220</u>	<u>7,355</u>
Security Deposit	3,807	3,829
	<u>40,896</u>	<u>40,053</u>
a) Amount paid for acquiring technical knowhow from MZT Hepoz pending implementation thereof, has been shown as capital advance		
14) INVENTORIES		
Raw Materials	179,003	133,708
Work in Progress	72,943	60,524
Finished Goods	8,163	7,585
	<u>260,109</u>	<u>201,817</u>
a) Work-in-Progress is arrived at after conversion of stocks at various stages of completion to equivalent completed production hours and 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 actual/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.		
15) TRADE RECEIVABLES		
(Unsecured - considered good unless otherwise stated)		
Over Six Months		
- Considered good	59,493	53,080
- Considered Doubtful	800	800
Other debts		
- Considered good	221,420	197,869
Less : Provision for doubtful debts	(800)	(800)
	<u>280,913</u>	<u>250,949</u>

(*) Due date of 30 days have been considered as the general term for all debtors

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(Rs in ' 000) As at 31st March, 2011
16) CASH AND CASHEQUIVALENTS		
Cash in hand	2,172	1,779
Cash at bank		
– Current Accounts	1,504	3,102
– Dividend Accounts	609	609
– Margin Money Deposit (Under Lien)	9,985	9,285
– Fixed Deposit		
(Under Lien – Rs. 11663, Previous Year Rs. 7,608)	21,663	7,608
	<u>35,933</u>	<u>22,383</u>
a) Fixed deposits held for more than 12 months	75	75
17) SHORT TERM LOANS AND ADVANCES		
(Unsecured - considered good unless otherwise stated)		
Advance to Suppliers	73,384	72,551
Other Loans and Advances	5,453	2,097
Advance to related parties (Refer Note 29 (C)(d))	283	283
Advance payment of Income Tax , Fringe Benefit Tax and Tax Deducted at Source	41,184	28,373
MAT Credit Entitlement Receivable	8,647	—
	<u>128,951</u>	<u>103,304</u>
18) OTHER CURRENT ASSETS		
(Unsecured - considered good unless otherwise stated)		
Deposit with government authorities etc	4,961	1,844
Interest Receivable	901	258
	<u>5,862</u>	<u>2,103</u>

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

	For the Year ended 31.03.12	(Rs in '000) For the Year ended 31.03.11
19) REVENUE FROM OPERATIONS		
Sale of Products		
Inland	1,069,694	990,282
Export	5,741	7,268
Sale of Services	10,588	7,639
Less : Excise Duty on sale of products	(97,282)	(90,028)
Less : Service tax on sale of services	(949)	(713)
Net Sales	<u>987,792</u>	<u>914,447</u>
20) OTHER INCOME		
Foreign Exchange Gain	934	727
Profit on Sale of Fixed Assets	—	6,863
Liabilities no longer required, written back	11,059	3,819
Interest income	724	581
Miscellaneous Receipts	14	409
	<u>12,731</u>	<u>12,398</u>
21) COST OF MATERIAL CONSUMED		
Opening Stock of Raw Material	133,708	98,370
Add: Purchases	625,359	554,769
Duty, Landing, Clearing & Freight	16,146	15,903
Less: Sale of scrap	(1,167)	(2,008)
Less: Closing Stock	(179,003)	(133,708)
	<u>595,042</u>	<u>533,327</u>
22) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Work in Progress	60,524	46,896
Finished Goods	7,585	7,720
Closing Stock		
Work in Progress	(72,942)	(60,524)
Finished Goods	(8,163)	(7,585)
	<u>(12,996)</u>	<u>(13,493)</u>
23) EMPLOYEE BENEFIT EXPENSE		
Salaries and Wages	137,914	114,951
Contribution to Provident and Other Funds	14,552	14,332
Staff Welfare	13,470	11,304
	<u>165,936</u>	<u>140,587</u>
a) Remuneration amounting to Rs. 3,161('000) for the year ended 31st March, 2012 and Rs. 1,882('000) for the year ended 31st March, 2011 to the Managing Director is in excess of the approval received from the Central Government. Steps are being taken to take necessary approval in this respect.		
24) FINANCE COSTS		
Interest Expense	46,225	36,091
Other borrowing costs	4,878	5,155
	<u>51,103</u>	<u>41,246</u>

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

	For the Year ended 31.03.12	(Rs in ' 000) For the Year ended 31.03.11
25) OTHER EXPENSES		
Consumption of Stores	30,273	31,351
Power and Fuel	12,680	11,458
Insurance	548	550
Rent (Net)	4,345	4,322
Rates & Taxes	1,100	1,553
Selling & Distribution Expenses	5,752	7,890
Commission	4,923	4,921
Business Development Expenses	514	627
Legal & Professional Expenses	18,655	12,955
Repairs :		
Buildings	275	1,453
Plant & Machinery	556	411
Others	4,399	3,847
Freight & Transport	19,327	17,650
Travelling & Conveyance	19,641	15,805
Postage, Telephone & Stationery	7,006	7,163
Provision for bad debts & Others	—	800
Bad Debts	—	101
Provision for LD & warranty	2,000	—
Provision for LD & warranty written back	(4,400)	—
Royalty	1,448	1,755
Irrrecoverable Balances written off	—	544
Preliminary expenses written off	1,349	—
Foreign Exchange Loss	975	3,465
Bank Charges	6,078	8,116
Miscellaneous expenses	11,997	9,579
	<u>149,440</u>	<u>146,316</u>
a) Payments to the auditors (included in Legal & Professional charges) :		
As auditor [Rs. 25 (Previous year Rs. 25) included in preoperative expense]	200	175
For other services		
Certification of quarterly accounts	240	240
Other Certification [Rs. 15 (Previous year Rs. Nil) included in preoperative expense]	124	98
	<u>564</u>	<u>513</u>

26) Contingent Liabilities and Commitments

Particulars	As at 31.03.2012	As at 31.03.2011
Claims against the Company not acknowledged as debts:		
– in respect of Sales tax matters in dispute	7,021	4,501
– in respect of Income matters in dispute	1,348	1,348
– demand raised by technology supplier for which the arbitration award is awaited	15,600	15,600
Commitments on Capital Accounts (net of advances)		
Tangible Assets	1,881	5,253
Intangible Assets	18,870	18,870

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

27) Certain debit and credit balances including Trade Receivables (Note 15), Trade Payables (Note 8), loans and advances (Note 13 & 17) are subject to confirmation and reconciliation arising there from.

28) Earning per share

Particulars	Year ended 31.03.12	Year ended 31.03.11
(a) Net Profit/(Net Loss) attributable to equity holders (in Rs.)	23,516	45,590
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	7,603,299	7,603,299
(c) Basic and Diluted Earnings per share in Rs. (Face value Rs. 10/- per share) (a)/(b)	3.09	6.00

29) Related Party Disclosures:

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

(a) Enterprise where control exists : Stone Intermodal Private Limited and Stone Biotech Private Limited (Subsidiaries)

(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
- x) Julex Commercial Pvt Ltd

(c) Key Management Personnel (KMP)

Mr. A. Mondal : Managing Director & CEO
Mr. S.V.Goenka : Wholetime Director

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

(B) The parties listed in (b) above though not required to be disclosed as per requirements of AS-18, 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:

a) Transactions with Associate Companies:

	Year ended 31.03.12	Year ended 31.03.11
Julex Commercial Pvt Ltd Commission	4923	4921
Odyssey Travels Ltd. Travelling Expenses	1105	696

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

b) Transactions with key management personnel:

	Year ended 31.03.12	Year ended 31.03.11
Remuneration		
Mr. A. Mondal	12,181	10,902
Mr. S. V. Goenka	3,200	3,200

c) Balances with above related parties

	As at 31.03.12	As at 31.03.11
Associate Companies		
Odyssey Travels Ltd. (Payable)	89	32
Duncan Industries Limited (Advance)	283	283
Seward Investments Private Limited (Payable)	10	10

Notes:

- In respect of above parties, there is no further provision for doubtful debts as on 31st March 2012 and no amount has been written off or written back during the year in respect of debts due from/to them.
- The above Related Parties information is as identified by the Management and relied upon by the auditors.

30) Disclosure of Lease Payments as per AS-19

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

Particulars	As at 31.03.12	As at 31.03.11
Not later than one year	112	472
Later than one year and not later than 5 years	—	—
Later than 5 years	—	—
	112	472
Less: Amount representing future interest	11	83
Present Value of minimum lease rentals	101	389

31) Employee Benefits:

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

a) Defined Contribution Scheme :

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

Employer's Contribution to Provident Fund – Rs. 4,084 (Previous Year Rs. 3,335)

Employer's Contribution to Pension Fund – Rs. 2,547 (Previous Year Rs. 2,408)

Employer's Contribution to Superannuation Fund- Rs. 1,268 (Previous year Rs. 1,305)

b) **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.

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

Particulars	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Non-Funded)	Leave Encashment (Non-Funded)
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
1 Current Service Cost	1,760	1,420	1,887	1,851
2 Interest Cost	2,061	1,603	733	506
3 Expected return on plan assets	(2,140)	(1,922)	—	—
4 Past Service Cost *	(838)	1,148	(272)	—
5 Actuarial Losses/(Gains)	5,207	2,855	2,893	2,870
Total Expenses	6,049	5,104	5,241	5,227
Change in the obligation during the year ended March 31, 2012				
1 Present value of Defined Benefit Obligation at the beginning of the year	25,843	21,157	10,258	7,791
2 Current Service Cost	1,760	1,420	1,887	1,851
3 Interest Cost	2,061	1,603	733	506
4 Benefit Paid	(159)	(1,723)	(2,194)	(2,760)
5 Actuarial (Gains) /Losses	4,633	2,238	2,893	2,870
6 Planned Amendment Cost*	(838)	1,148	(272)	—
Present value of Defined Benefit Obligation at the end of the year	33,300	25,843	13,306	10,258
Change in Assets during the year ended March 31, 2012				
1 Plan Assets at the beginning of the year	23,105	20,923	—	—
2 Contribution by Employer	1,500	2,600	2,194	2,760
3 Expected return on plan assets	2,140	1,923	—	—
4 Benefit Paid	(159)	(1,723)	(2,194)	(2,760)
5 Actuarial Gains/(Losses)	(574)	(617)	—	—
Plan Assets at the end of the year	26,012	23,105	—	—
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2012				
1 Net Asset/(Liability) at beginning of the year	(2,739)	(234)	(10,258)	(7,791)
2 Employer Expenses	(6,049)	(5,104)	(5,241)	(5,227)
3 Employer Contributions/Payment	1,500	2,600	2,194	2,760
4 Net Asset/(Liability) at the end of the year	(7,288)	(2,739)	(13,306)	(10,258)
Actuarial Assumptions				
1 Discount Rate	8.60%	8.00%	8.60%	8.00%
2 Expected Rate of Return on Plan Assets	9.00%	9.00%	—	—

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

* Past Service Cost has been accrued on account of increase in the age limit from 58 years to 60 years and change in leave policy. In the previous year, Past Service Cost has been accrued on account of increase in the Ceiling Limit of Gratuity under the Payment of Gratuity Act, 1972 .

Notes to the Financial Statement for the year ended 31st March, 2012 (Contd.)

ii) Disclosure in terms of Para 120(n) of AS 15 (revised 2005)

Particulars	Gratuity (Funded)			
	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Present Value of Defined Benefit Obligation	33,300	25,843	21,157	18,733
Fair Value of Plan Assets	26,012	23,105	20,923	16,739
Surplus/(Defecit)	(7,288)	(2,738)	(234)	(1,994)
Experience Adjustments on Plan Liabilities - (Loss)/Gain	(1,050)	(2,423)	(891)	296
Experience Adjustments on Plan Assets - (Loss)/Gain	(574)	(617)	1,548	(1,121)

Particulars	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Present Value of Defined Benefit Obligation	13,306	(10,258)	(7,791)	(8,108)
Experience Adjustments on Plan Liabilities - (Loss) / Gain	(1,317)	(2,955)	(1,069)	968

32) 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.

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

34) Previous year's figures have been re-arranged/re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 4th May, 2012

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

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

