
CONTENTS

	Page No.
Board of Directors	1
Report of the Directors	2 – 18
Ten Years at a Glance	19
Auditors' Report	20 – 21
Accounts	22 – 41
Statement & Accounts regarding Subsidiary Company	42 – 51
Consolidated Financial Statements	52 – 70

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

Members

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

Bankers
State Bank of India
Indian Overseas Bank
ICICI Bank Limited

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

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 80th Annual Report on the business and operations of your Company for the financial year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	<u>2009-10</u>	<u>2008-09</u>
Gross Turnover	10140.91	9036.53
Profit before Interest, Depreciation, Taxation & Exceptional items	1093.75	(347.53)
Interest	360.81	278.75
Depreciation	171.77	113.45
Profit before Taxation and Exceptional items	561.17	(739.73)
Prior Period Items	—	(17.40)
Profit before Taxation after Exceptional items	561.17	(757.13)
Provision for Taxation –Current Tax	100.34	—
Provision for Taxation –Deferred Tax	21.82	86.23
Fringe Benefit Tax	—	14.83
Income Tax for Earlier Year	(1.68)	2.23
Profit after Taxation	440.69	(860.42)
Balance brought forward from previous year	412.45	1272.87
Profit available for appropriation	853.14	412.45
APPROPRIATIONS		
Balance Carried to the Balance Sheet	853.14	412.45

OPERATIONS

Fiscal 2009-10 witnessed a gradual recovery in the Indian economy after witnessing a negative growth and slowdown in the last fiscal. The cyclical upturn was hit by some inflation but managed to sustain the growth by increasing the sales and production. After the unprecedented global economic downfall the world GDP dropped by 0.5%(IMF) in 2009. However the revival has been better than expected, moderate in many developed economies but strong in most emerging economies.

For the year 2010-11, IMF has predicted an increase of about 4.2% in world GDP. Economies that are off to a strong start are likely to remain on the lead, as growth in others is likely to be held back due to the lasting damage to financial sectors and household balance sheets. In most of the countries, Government initiatives and support have been key to kick start the recovery.

As per RBI real GDP growth for 2009-10 was at 7.5%, however the projection of real GDP growth for 2010-11 is placed at 8% with an upside bias. Consumption had all along remained strong in India. Further, the Budget significantly raises the allocation to key infrastructures sectors including railways.

Although the Global economy recovered slowly the Indian scenario was different and all over there was an upswing in the manufacturing and Engineering industry. Your company keeping pace with this trend has improved upon its operations and crossed the last year turnover clocking 101cr compared to 90cr of last year. This was

possible by improving the order intake, improving the price for some of the product, by introduction of new products and overall improvement in the operations. The net sales increased by 18.5% and there was a net profit of 440.69 lacs compared to a loss of 860.42 lacs.

The factory at Nalagarh, Himachal Pradesh has already started commercial production of Distributor Valve and Panel Mounted Brake System. The approval for other products are expected soon. The expansion plan is in progress at site for new products which will add to our production capacity.

We are in the process of continuous improvement of your company by introducing new products keeping pace with the Railways and the competitors with our Endeavour in Research and Development in house. We are constantly upgrading our Technology by independent research and by incorporating Technology from our collaborators. The details of some such new products introduced or likely to be introduced are given below.

As mentioned in our earlier report we have started manufacture of Air Springs and supplying to Railway. The business of Air Springs is expected to grow substantially in the coming years as Indian Railways have decided to turnout all EMU as well as Main Line Coaches duly assembled with AIR Springs to improve passenger comfort. The enhancement of sales of Air Spring will further contribute to increase the turnover and contribution to your company.

DIRECTORS' REPORT (Contd.)

Your Company established a Railway Electronic Division to undertake design and development of Different Electronic equipments required for railway in order to improve the performance and safety of railway wagon and coaches and also to improve the control and information system..As a part of this we have already come up with new products which are being tested and approved by RDSO.

As mentioned above we have received the first development orders for FDOS from Railways Chittaranjan Locomotive Works which will ensure better safety features.

Your company has achieved a major break through in Bio Toilet and controlled discharge Toilets and already some of our Toilets has been fitted in some Trains for Trial runs. The products are running successfully for the last one year. We have also got orders for Controlled Discharge Toilet to be supplied to Railways.

Electronic Brake System for Diesel Locomotive is being pursued. For Electric Locomotive we have been recommended for the placement of the first developmental order by Railways

DIVIDEND

Considering the Capital investment to be made for the expansion in near future your directors do not recommend a dividend for the year ended 31st March 2009.

ENERGY CONSERVATION

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

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company earned Rs. 49 Lacs foreign exchange during 2009-10 as against Rs. 30 Lacs during 2008-09. However, foreign exchange outgo during the year amounted to Rs 595 lacs (including import of components and spare parts) against Rs. 430 lacs during previous year.

PERSONNEL

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

The Long Term Settlement expired and the renewal process is in progress. The industry relation within the factory and with the two recognized factory unions continued to be cordial resulting in improved productivity during the financial year.

DIRECTORS

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

OTHER INFORMATION

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

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 and the Sr.Vice President & CFO, both have furnished the necessary certification to the Board on these financial statements as required under the revised Clause 49 of the Listing Agreement(s) with the stock exchanges where the equity shares of the company are listed.

DEMATERIALISATION OF SHARES

Your Company's shares are under transfer-cum-demat option. Shares of your Company can be traded only in dematerialized form. You have the option to hold the Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL). 91.89% of the total equity share capital of your Company was held in dematerialized form with NSDL and CDSL as on 31st March 2010.

CORPORATE GOVERNANCE

Necessary measures have been adopted to comply with the requirements of the Listing Agreements with stock exchanges wherein your Company's shares are listed. A separate report on Corporate Governance adopted by the Company forms part of this report.

DIRECTORS' REPORT (Contd.)

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 is attached to this report.

CODE OF CONDUCT

Your Company has formulated Code of Conduct in compliance to the requirements of revised Clause 49 of the Listing Agreements with Stock Exchanges which has been posted in the Website of your Company. This Code of Conduct and Ethics applies to the Board members and Senior Management personnel of your Company. Confirmation towards adherence to the Code during the Financial Year 2009-10 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 at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Audit Committee of Board of Directors recommended the re-appointment of Messrs Lodha & Co., Chartered Accountants as Statutory Auditors 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 2010-11, if re-appointed.

AUDITORS' REPORT

The Board 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 call for no further comments.

PUBLIC DEPOSITS

Your Company has not accepted any Public Deposits.

SUBSIDIARY COMPANY

Stone Intermodal Private Limited incorporated on 15th October 2008, became a Wholly Owned Subsidiary of the Company with effect from 1st March 2009. The technical Collaboration agreement has been executed with Rail Runner Inc. USA and the initial concept of the project has been approved by RDSO.

FORWARD-LOOKING STATEMENTS

This Annual Report contains 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. Readers are therefore cautioned that such statements speak only of the situation as of their dates and hence actual performances or achievements could differ from those expressed or implied in such forward-looking statements. Your Company undertakes no responsibility to publicly or otherwise update or revise any such forward-looking statement at any time.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their whole-hearted appreciation for the unstinted support and co-operation received from the banks, financial institutions, customers and shareholders 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.

For and on behalf of the Board

Date : 16th April, 2010
Kolkata

G. P. GOENKA
Chairman

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

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

1. Specific area in which R&D carried out by the Company	Products for application on Railway Rolling Stock
2. Benefits derived as a result of the above R&D	Import substitution, development of new products, improvement of existing products and cost reduction.
3. Future plan of action	<p><u>Railway Items :</u> Development of -</p> <ol style="list-style-type: none"> 1. Bogie Mounted Brake systems for Wagons 2. Tread Brake unit for High Hose 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. WSP for Coaches and Locomotives 10. Fault Diagnostic control System for Electric Locomotive 11. Electronic Brake System for Locomotives 12. Biogical toilets for Coaches 13. Control Discharge Toilet System for coaches 14. Vigilance Control Device for Electric Locomotives <p>LED based destination display board</p>
4. Expenditure on R & D	
(a) Capital	Rs. 109.98 Lacs
(b) Recurring	Rs. 5.04 Lacs
(c) Total	Rs. 115.02 Lacs
(d) Total R&D Expenditure as a percentage of total turnover	1.22%
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

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)

- | | |
|---|---|
| <p>2. Benefits derived as a result of the above efforts e.g. products improvement, cost reduction, product development, import substitution, etc.</p> | <p>(iii) upgradation of existing technology and/or importation of new technology through various foreign collaborations.</p> <p>Benefits derived as a result of the above efforts are–</p> <p>(i) minimisation of import will result in cost reduction and thus save foreign exchange;</p> <p>(ii) meeting customers' requirements and achieving customers' satisfaction and hence resulting in getting continued orders.</p> <p>(iii) upgradation of new test-rigs in Defence production for achieving high quality products;</p> <p>(iv) continuous improvement of existing technology and/or induction of fresh technology; and</p> <p>(v) new product development and improvement of existing products.</p> |
| <p>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 :</p> <p>(a) Technology imported</p> <p>(b) Year of Import</p> <p>(c) Has technology been fully absorbed</p> <p>(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.</p> | <p>Technologies imported during the last 5 years from the Financial Year 2005-06 are as follows :</p> <p>(i) For manufacturing of "Vaporid Air Dryers" as per technology obtained from WABTEC Corporation U.S.A.</p> <p>(ii) For manufacturing of "Relay Valve" REL-10 as per technology obtained from MZT Hepos AD, Macedonia.</p> <p>(iii) For manufacturing of "Tread Brake Unit" as per technology obtained from MZT Hepos AD, Macedonia.</p> <p>(iv) For manufacturing of "Air Spring" as per technology obtained from Sumitomo Electric Industries Limited, Japan.</p> <p>(i) 2005-06, (ii) 2005-06, (iii) 2008-09, (iv) 2006-07</p> <p>(i) & (ii) – Yes (iii) & (iv) On progress</p> |

Date : 16th April, 2010
 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: shareholders, directors and management 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 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 / management. 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 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 nor 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 2010:

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

Report of Corporate Governance (Contd.)

The Board is headed by the Non-Executive Chairman, Mr. G. P. Goenka, and comprises six other Directors. Out of whom one is the Managing Director & CEO, one is the Whole time Director and rest are Non-Executive Directors. The Directors are eminently qualified and have rich experience in business, banking & finance 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 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, 2010 are given below:

Name of the Board Member	Category ¹	Board Meetings attended out of 5 Meetings held during the year	Attendance at the last AGM held on 11th September 2009	Number of other Directorships ²	Number of other Committee Memberships ³
G. P. Goenka	C & NED & P	5	Present	7	1
S. Ray	NED & ID	3	Present	5	5 (2)
I. Sen	NED & ID	5	Present	1	1
Srivardhan Goenka	ED & P	5	Present	8	1
A. K. Goswami	NED & ID	3	Joined after last AGM	2	1
A. Agarwal	NED & ID	—	Present	—	—
A. Mondal	MD	5	Present	2	—

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

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

³ Figures in brackets indicate Committee Chairmanships.

Details of Board Meetings held during the financial year

During the year 2009-10, five Board Meetings were held on 30th June 2009, 7th July 2009, 22nd July 2009, 26th October 2009 and 22nd January 2010.

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 Board 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.

Report of Corporate Governance (Contd.)

- 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.
 - 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.
- 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.
- 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. All the members of the Committee are financially literate and have accounting and financial management expertise. The Managing Director, the Chief Financial Officer and the representatives of the Internal Auditors and the Statutory Auditors are permanent invitees to the Audit Committee.

During the financial year ended 31st March 2010, five meetings were held. The dates of such meetings, composition of the Audit Committee 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
1.	30th June 2009	Absent	Attended	Absent
2.	7th July 2009	Absent	Attended	Attended
3.	22nd July 2009	Attended	Attended	Attended
4.	26th October 2009	Attended	Attended	Attended
5.	22nd January 2010	Attended	Attended	Absent
Number of meetings held during the member's tenure		5	5	5
Number of meetings attended by the member		3	5	3

II. Remuneration Committee

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

(There were no stock options during the financial year ended 31st March 2010)

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 2009-10, one Remuneration Committee Meeting was held on 26th October 2009.

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 salary, commission, performance bonus, perquisites and allowances. The Non-Executive Directors do not draw any remuneration from your Company other than sitting fees for 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 2010 is as under:

(Rs. in Lacs)

Director	Salary	Perquisites	Total
A Mondal Managing Director & CEO	65.21	3.66	68.87
Shrivardhan Goenka Whole time Director	30.33	-	30.33

¹ Mr. A. K. Goswami joined as a Director as well as a Member of the Audit Committee with effect from 30th June 2009.

Report of Corporate Governance (Contd.)

B. Details of sitting fees paid during the year 2009-10 to the existing Non-Executive Directors as on 31st March 2010 are given below:

Directors	Sitting Fees		
	Board Meeting	Committee Meeting	Total
G. P. Goenka	25,000/-	5,000/-	30,000/-
S. Ray	15,000/-	75,000/-	90,000/-
I. Sen	25,000/-	30,000/-	55,000/-
A. Agarwal	-	-	-
A. K. Goswami	15,000/-	15,000/-	30,000/-

III. Shareholders'/Investors' Grievance Committee

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

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.

Name and designation of Compliance Officer : Mr. A. Mondal, Managing Director & CEO.

No. of Shareholders complaints received during the year 2009-10	2
No. of complaints resolved to the satisfaction of Shareholders as on 31st March, 2010	2
No. of pending share transfer as on 31st March, 2010	Nil

GENERAL BODY MEETINGS

Location and time where last three AGMs were held :

AGM	Year	Venue	Date	Time	Special Resolution	Postal Ballot
77th	2006-07	Kalakunj Kalamandir 48, Shakespeare Sarani, Kolkata 700 017	27/02/08	10.30 A.M.	Yes	No
			29/08/08	10.30 A.M.	No	No
78th	2007-08		29/08/08	11.30 AM	Yes	No
79th	2008-09	Bharatiya Bhasha Parisad 36-A Shakespeare Sarani Kolkata - 700 017	11/09/09	10.30 AM	No	No

No Extra-ordinary General Meeting was held during the financial year.

No special resolution was passed last year through postal ballot.

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

Most of the resolutions were passed through show of hands.

DISCLOSURES

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

Save and except what has been disclosed under Item No. B(12) of Schedule 19 of the Notes to the Accounts, forming part of the Accounts of your Company for the year ended 31st March 2010, 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 whistleblowing 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 whistleblowing 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-700 088

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.

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	Adopted
4.	Stipulations regarding Audit Qualifications	Being adopted
5.	Training of Board Members	Partly complete
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 2010 expect Chairman of the Board.

CEO/CFO CERTIFICATION

The Managing Director & CEO and Sr. Vice-President & CFO have certified to the Board that:

(a) They have reviewed the financial statements and the cash flow statement for the year 2009-10 and that to the best of their knowledge and belief:

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

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

(b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year 2009-10 which are fraudulent, illegal or violative of the Company's code of conduct.

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

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

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

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

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

The Managing Director & CEO has given a Declaration to the effect that all Board Members and Senior Management personnel have confirmed compliance with the Code of Conduct during the year ended 31st March, 2010.

MEANS OF COMMUNICATION

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

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

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

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

Report of Corporate Governance (Contd.)

GENERAL SHAREHOLDER INFORMATION

(a) **Annual General Meeting :**

Date and Time	10th September 2010 at 10.30 A.M.
Venue	Bharatiya Bhasha Parisad 36-A, Shakespeare Sarani, Kolkata – 700 017

(b) **Financial Calendar (2010-11):**

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, 2010 (Audited)	Week No 28 of 2010
Half-Year ending September 30, 2010 (Audited)	Week No 43 of 2010
Third Quarter ending December 31, 2010 (Audited)	Week No 3 of 2011
Year ending March 31, 2011 (Audited)	Week No 16 of 2011
AGM for the year ending March 31, 2011	Week No 33 of 2011

(c) **Book Closure date :**

The dates of book closure are from 3rd September, 2010 to 10th September, 2010 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 2010.

(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 Association Ltd., 7, Loyns Range Kolkata-700 001	29963
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 said Stock Exchanges are up-to-date.

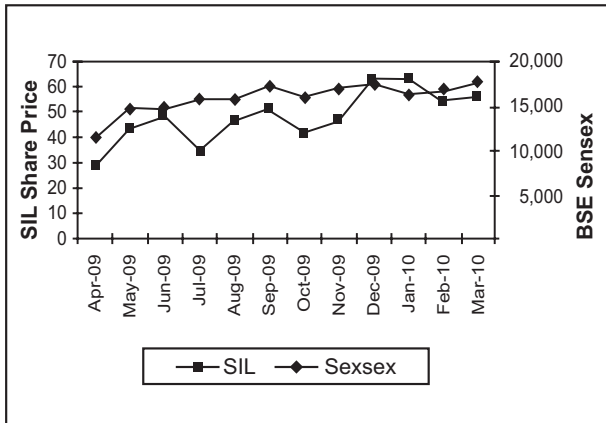
(f) **Stock Price Data :**

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 2010.

Month	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2009	31.30	22.50	N.T.	N.T.
May 2009	43.50	26.70	N.T.	N.T.
June 2009	57.65	39.15	N.T.	N.T.
July 2009	49.40	31.45	N.T.	N.T.
August 2009	46.75	33.10	N.T.	N.T.
September 2009	55.40	41.30	N.T.	N.T.
October 2009	54.70	41.10	N.T.	N.T.
November 2009	53.60	39.60	N.T.	N.T.
December 2009	67.55	47.50	N.T.	N.T.
January 2010	71.55	52.80	N.T.	N.T.
February 2010	81.35	53.70	N.T.	N.T.
March 2010	61.80	51.05	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) 2287 0263
Email No. rta@cbmsl.com/cbmsl1@cal2.vsnl.net.in

(i) **Share Transfer System:**

The share transfers in physical form are at present processed and the Share Certificates are returned, duly transferred in favour of transferees, subject to all the documents being in order. Share Transfers under objection are returned immediately. The Shareholders'/Investors' Grievance Committee of the Board of Directors meets almost every month to 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 2010

I Distribution of Shareholding Pattern by ownership:

Category	No. of Shares held	Percentage of Shareholding
A. Promoter's holding		
1. Promoters'		
– Indian Promoter	27,35,054	36.00
– Foreign Promoters	–	–
2. Persons acting in concert	2,20,500	2.90
Sub Total	29,55,554	38.90

B. Non-Promoters Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	1,073	0.01
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/non-Government Institutions)	2,03,665	2.68
c. Foreign Institutional Inventories	–	–
Sub Total	2,04,738	2.69
4. Others		
a. Private Corporation Bodies	6,34,822	8.36
b. Indian Public	35,74,030	47.05
c. NRIs/OCBs	1,22,818	1.62
d. Any other (specify):		
i) Clearing Members/Corporate	1,04,537	1.38
Sub Total	44,36,207	58.41
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	13,123	91.44	16,68,149	21.96
501 to 1000	704	4.90	5,66,928	7.46
1001 to 2000	271	1.88	4,10,590	5.40
2001 to 3000	89	0.62	2,31,981	3.05
3001 to 4000	28	0.19	1,01,666	1.35
4001 to 5000	38	0.26	1,77,310	2.33
5001 to 10000	49	0.34	3,60,393	4.75
10001 and above	48	0.33	40,79,482	53.70
Total	14,350	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 91.89% 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, 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.
16th April 2010

G. P. GOENKA
Chairman

Report of Corporate Governance (Contd.)

Management Discussion And Analysis Report For the year ended 31st March 2010.

1 Industry Structure and Developments :

Considering the overall growth of Indian Economy during the financial year 2009-10 the market demand for products of your Company showed a growth trend in this financial year for the company's existing products as well as for the proposed new products of the company.. During the year under review the Company was able to book substantial orders for 4.5 KW Alternators, AM-12 Pantographs, Panel Mounted Brake System for Diesel and Electric Locomotives, Panel Mounted Brake Systems for OHE Cars, Slack Adjusters, as well as Distributor Valves for Wagon application.

In the new products category orders worth Rs 7.27 Crores was booked for supply of Air Springs and Air Spring Control Equipment. The company also received the first developmental order for the CDTs (Control Discharge Toilet System) from Rail Coach Factory, Kapurthala.

Your Company bagged orders worth Rs. 95.01 Crores during the year. While the company received n price increases for few products there was substantial price drop for Alternators as well as for Air Brakes for Wagon and Coach application due to severe competitive pressure.

2. Opportunities & Threats :

2.1. Opportunities :

Your company recorded an impressive order booking for Panel Mounted Brake System for both Diesel and Electric Locomotives. The Company received order for 111 Nos. Panel Mounted Brake System for Diesel and for Electric Locomotives as a part of Railways retro-fitment programme for fitment of Tri-Plate Panel Mounted Brake System for existing Locos which were earlier equipped with Dual Brake System. It is expected that this demand of retro-fitment exercise of Panel Mounted Brake System will continue over the period of next 2 to 3 years. In order to satisfy this additional requirement of Panel Mounted Brake System the Nalagarh Unit which was accredited with the registration for supply of Panel Mounted Brake System by RDSO in the last financial year commenced the commercial production of the PMB for Diesel Locomotives from this financial year. .

During the year your company was able to grow the business of new generation Slack Adjuster type IRSA-750 for supply to new generation higher axle load Stainless Steel Wagons. This business generated an order value of 11.54 crores for supply of 6977 units

During the year the Company has been able to book substantial order for CI Distributor Valves for 3914 sets at a value of 5.42 crores.

Nalagarh plant started regular production of CI Distributor Valves during the current financial year.

The company also received 2nd repeat order for Dual Voltage Pantograph type AM-18 from Siemens for GP194 Project of Indian Railways for Mumbai where the Company has been approved as an exclusive supplier for this type

of Pantograph. Further negotiations are being carried out with Siemens for 3rd repeat order from them provided they are awarded orders for further MRVC coaches by Indian Railways.

2.2. Threats :

The non-waiver of Liquidated Damages by Finance and Stores Directorate of Indian Railways for all orders where there have been certain defaults of delivery schedules have created a major set back in the achievement of the budgeted margins for the Company.

Further there were severe competitive pressure from MNC competitors particularly for undercutting the prices of Air Brakes for both Wagon and Coaching application resulting in reduced order booking for both of these business segments.

There was severe competitive pressure for Alternators too but the situation had somewhat changed for the better price realization since the 3rd qtr of 09-10.

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 2009-10 following are the performance figures for our main products.

3.1. Railway Products :

a) Train Lighting Alternators :

The market share obtained to the level of 25% for 4.5KW and 20% for 25 KW Alternators. Prices for both the varieties have dropped sharply due to competitors under cutting the price.

b) Critical Loco Brake Valve :

Market share retained at 50%. Prices were maintained in the current year without any drop of the prices.

c) Air Brake Wagon & Coaches:

While the market share for freight wagons Air Brake dropped around 10%, the market share for Coach Brake dropped around 5% due to severe undercutting of the price.

d) Pantographs:

Market share maintained at 50%. Company has been able to improve the prices. Company received repeat order of AM-18 Pantographs from Siemens.

e) Slack Adjusters:

Market share maintained at 50%. Price level maintained.

f) Panel Mounted Brake for Locomotives:

Market share maintained at 50%. Prices got marginally reduced due drop in Aluminum prices during the year and there was customer insistence to reduce the prices due to drop in Aluminum prices.

Report of Corporate Governance (Contd.)

g) **Rolling Stock Spares business:**

The level of Rolling Stock Spares business volume was maintained for all product categories with increase in Pantograph Spares, Alternator Spares as well as Loco Brake Valve Spares business.

h) **Air Dryers:**

Company booked Orders of 111 Nos. Air Dryers and the prices were maintained.

4) **Outlook :**

As explained earlier your Company expects growth in demand for most of the products in the coming years to match the increasing demand of Indian Railways Rolling Stock. All the Production Units of Indian Railways have achieved higher production target for Locomotive, Coach as well as for EMUs and Wagons compared to the year 2008-09.

As per the figures announced in the Railway Budget we expect that similar growth momentum will be maintained in the year 2010-11 as well as in the coming years..

5. **Risks and Concerns :**

As explained earlier there has been further erosion of margins due to undercutting of prices for Alternator, Air Brake for Wagon and Coaches by the competitors. Actions are being initiated to correct the situation at the market place.

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

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

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

Particulars	2009-2010	2008-2009
Total Income (Rs. in lacs)	9446.00	8073.43
Sales (Rs. in lacs)	9400.53	8042.18
Profit after Taxation (Rs. in lacs)	440.69	(860.42)
Net Cash Flow from Operation (Rs. in lacs)	265.97	551.96
Basic EPS (Rs. Per Share)	5.80	(11.33)

8. **Business Development :**

During the year Company has been able to bag an order for supply of 8 sets of Control Discharge Toilet System (CDTS) from Indian Railway. This system is being developed in-house and is expected to be supplied during third quarter of 2010-11. Regular repeat orders are expected for this system which shall give substantial improvement to the top-line of the company.

Your company has introduced a new concept Biological Toilet System in Indian Railways. This system converts human waste into pure water and is under trial since May, 2009. Railway authorities have decided to install biological

toilet system in all the coaches. The company is expecting orders for this system from railways shortly.

Your company has supplied 5 Sets of Fault Diagnostic Control System to Chittaranjan Locomotive Works. Two systems have been installed and are put under field trial. On completion of field trial, major orders are expected. Company has been able to receive repeat orders of Air Suspension Control Equipment.

As regards Air Springs, company entered into a Technical Collaboration with M/s Sumitomo Electric Industries, Japan. The company supplied 200 coach sets of Air Springs to ICF and RCF, which have been fitted in EMU and special coaches made for Duronto Express trains recently introduced.

The business for Air Springs is expected to grow substantially in the coming years as Indian Railways have decided to turn out all EMU as well as Main Line Coaches duly assembled with Air Springs to improve the Passenger comfort.

Your company also has developed FIBA (Failure Indication and Brake Application) device to be installed in coaches fitted with Air Springs and got approval from RDSO. The company is expecting order from Indian Railway shortly.

During the year the prototype Electronic-Pneumatic Brake System for EMU was developed in house and was inspected by RDSO. RDSO is likely to advice ICF to place a trial order for this brake system.

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 has implemented a pay prepackage which is limited with performance and also reflects the individual in designing their own pay package under this new system called "Cafeteria System". Your company is further improving on the performance management process system, which identifies the Key Result Areas (KRAs) for employees at different management levels. The KRAs are designed to ensure the overall alignment of individual and group performance with the company's business and growth strategy. The process identifies training and development needs of employees and develops career tracks for high performers.

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

Your company had 397 employees on the roll at the end of the year under review as against 376 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 2009 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 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, adapted 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 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

14 Government Place East,
Place: Kolkata
Date: 16th April, 2010

H. S. Jha
Partner
Membership No. 55854

Ten Years at a Glance

Particulars	(Rs. in Lacs)									
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Order received	9501.73	8,711.09	9,574.25	8,083.15	6,207.51	4,808.69	3,132.47	2,647.88	2,529.01	2,719.84
Sales (Net)	9400.53	8,042.18	7,911.17	7,068.42	5,300.78	4,030.95	3,000.14	2,950.43	2,649.30	2,849.41
Profit before Tax	561.17	(757.13)	1,076.15	820.92	870.11	238.55	(895.80)	47.94	74.80	(1,018.46)
Earning per Share (Rs.)										
— Basic	5.80	(11.33)	11.92	10.57	11.07	3.04	(11.89)	1.81	0.55	(13.53)
— Diluted	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	6616.03	6,509.64	5,815.53	5,766.24	2,975.08	2,799.72	2,826.87	2,837.87	2,956.38	1,856.15
Current Assets (Net)	2350.04	1,625.02	2,837.02	2,560.53	3,646.86	2,727.96	2,545.74	3,267.39	3,111.58	3,508.47
Deferred Revenue Expenditure	—	—	—	—	—	—	—	—	—	30.70
Deferred Tax Assets (Net)	—	—	86.23	122.94	—	—	—	—	(88.07)	—
Profit & Loss Account (Dr Bal)	—	—	—	—	—	255.11	363.62	—	—	—
Net Assets Employed	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79	5,736.23	6,105.26	5,979.89	5,395.32
Financed by										
Share Capital	760.33	760.33	760.33	899.08	*899.08	753.58	753.58	753.58	753.58	753.58
Reserves	3102.53	2,762.36	3,274.21	3,795.21	2,288.24	1,820.51	1,984.73	2,561.13	2,527.72	1,445.81
Accumulated Depreciation	2544.06	2,275.36	2,072.63	1,884.93	1,753.60	1,684.28	1,395.00	1,297.12	1,192.22	1,116.59
Loans & Overdrafts	2538.36	2,336.61	2,181.61	1,870.49	1,681.02	1,524.42	1,602.92	1,493.43	1,506.37	2,079.34
Capital Employed	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79	5,736.23	6,105.26	5,979.89	5,395.32

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, 2010 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order") as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 ("the Act") and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that:
 - i)
 - a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - b) As explained to us, the fixed assets of the Company are physically verified by the management over a phased manner, which we consider reasonable considering the size of the Company and nature of its assets. As explained to us such verification has been carried out by the management and the necessary reconciliation with the book records was under progress at the year end.
 - (c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets.
 - ii)
 - a) The inventory has been physically verified by the management during the year. In our opinion and according to the information and explanations given to us, the frequency of verification, wherever carried out, is reasonable.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion, the Company has maintained proper records of its inventory and the discrepancies between the physical stock and book records were not material.
 - iii) Except for the advances recoverable in respect of expenses for a wholly owned subsidiary as per the records of the company, it has not taken/granted any loans, secured or unsecured, to any companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Advances recoverable as explained are against share capital.
 - iv) Having regard to the fact that comparative quotations are not available in respect of certain items of special nature purchased during the year, in our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to

purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

- v) To the best of our knowledge and belief and according to the information and explanations given to us and records of the company, we are of the opinion that there is no transaction that needs to be entered in to the register maintained under section 301 of the Act.
- vi) The Company has not received or accepted any deposits during the year.
- vii) The Company has an internal audit system which covers certain specific areas of operations/processes and therefore the scope thereof needs to be enlarged and the system followed needs to be further strengthened.
- viii) We are informed that Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
- ix)
 - a) According to the information and explanations given to us and as per the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Professional Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it *except for ESI including as mentioned in Note No.B 9 of schedule 19, Tax Deducted at Source, excise duty and sales tax where there were delays in depositing the dues to appropriate authorities.* However, according to the information and explanations given to us, there is no undisputed amounts payable in respect of these which were in arrears, as at 31st March 2010 for a period of more than six months from the date they became payable.
 - b) According to information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except as given below:

Statute	Nature of Tax	Forum where dispute is pending	Period to which related	Amount in Lacs
West Bengal Sales Tax Act, 1995	Sales Tax	DCIT Appeal	2004-05	15.02
Central Sales Tax Act, 1954	Sales Tax	DCIT Appeal	2003-04, 2004-05 and 2005-06	44.72
Income Tax Act	Income Tax	CIT Appeal	A.Y. 2006-07	16.07
- 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 but had incurred cash losses in the immediately preceding financial year.
- xi) According to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks and financial institutions.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the said order are not applicable to the company.

- xiv) The Company is not dealing / trading in securities.
- xv) According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) As per the information and explanations given to us, no fresh term loan has been taken during the year.
- 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 amounting to Rs.154.33 lacs raised on short-term basis have been used for long-term investments, i.e. for acquisition of fixed assets of the company.
- xviii) The Company has not made any preferential allotment of shares to parties and companies required to be covered in the register maintained under section 301 of the Act.
- xix) The Company does not have any outstanding debentures during the year.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) During the course of our examination of books of accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the company nor have we been informed of any such case by the management.
2. Attention is invited to the following Notes to Schedule 19 regarding:
- (a) *Rental demands on the Company amounting to Rs.228.97 lacs, pending decision of the Court exact status of liability is presently not ascertainable. (Note B 8)*
- (b) *Non-confirmation/ reconciliation of certain debit and credit balances adjustments whereof and resultant impacts thereof are presently not ascertainable. (Note B 4)*
- (c) *Payment of managerial remuneration amounting to Rs.58.17 lacs for the year is subject to approval of the Central Government. (Note B7)*
3. *We further report that overall impact with respect to the Notes given in paragraph (2) above cannot be ascertained and commented upon by us.*
4. Further to the above, we report that:
- (a) *We except as given in Note B 19 of Schedule 19 have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;*
- (b) *The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;*
- (c) *In our opinion, proper books of account, as required by law have been kept by the Company so far as it appears from our examination of the books;*
- (d) *In our opinion, the Profit & Loss Account, Balance Sheet and Cash Flow Statement prepared by the Company comply with the various Accounting Standards referred to in Sub-section 3(c) of Section 211 of the Act;*
- (e) *On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2010 from being appointed as a director under Section 274 (1) (g) of the Act;*
- (f) *In our opinion and to the best of our information and according to the explanations given to us, subject to our remarks as given in para 2 above whereby as given in para 3 above, we are unable to ascertain and indicate the impact thereof on these accounts and Note B 19 of Schedule 19 regarding non availability of details relating to Micro, Small and Medium Enterprise Development Act, 2006 and read together with the other notes thereon, these accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*
- (a) *In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010;*
- (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: 16th April, 2010

Profit & Loss Account for the year ended 31st March, 2010

	<u>SCHEDULE</u>	<u>For the Year ended 31st March 2010</u>	<u>For the Year ended 31st March 2009</u>
(Rs in ' 000)			
INCOME			
Sales	1	940,053	804,218
Other Sources	2	4,547	3,131
		<u>944,600</u>	<u>807,349</u>
EXPENDITURE			
Consumption of materials	3	591,900	602,937
Expenses	4	243,325	239,165
Interest (net)	5	36,081	27,875
Depreciation	12	27,229	21,488
Less: Transferred from Capital Reserve		<u>(10,052)</u>	<u>(10,143)</u>
		<u>888,483</u>	<u>881,322</u>
Profit/(Loss) before prior period adjustments		56,117	(73,973)
Add: Prior Period Adjustment (net)		—	(1,740)
Profit/(Loss) before tax and after prior period adjustments		56,117	(75,713)
Provision for tax :			
- Current Tax		10,034	—
- Deferred tax (Refer Note No.B 11 of Schedule 19)		2,182	8,623
Fringe Benefit Tax		—	1,483
Income tax relating to earlier years		(168)	223
Profit/(Loss) after tax		44,069	(86,042)
Surplus/(Loss) carried down		<u>44,069</u>	<u>(86,042)</u>
Appropriations :			
Surplus/(Loss) brought down		44,069	(86,042)
Profit/(Loss) brought forward from previous year		41,245	127,287
Surplus carried to Balance Sheet	10	85,314	41,245
Earnings per share (Face Value Rs. 10/- each)			
- Basic		5.80	(11.33)
- Diluted		5.80	(11.33)
Notes to the Accounts	6, 7, 8 & 19		

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

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Balance Sheet as at 31st March, 2010

		(Rs in ' 000)	
	SCHEDULE	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	9	76,033	76,033
Reserves & Surplus	10	<u>310,253</u>	<u>276,236</u>
Loan Funds:			
- Secured Loans	11	253,836	233,661
Deferred Tax Liability		2,182	—
(Refer Note No.B 11 of Schedule 19)			
TOTAL		<u><u>642,304</u></u>	<u><u>585,930</u></u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	12	653,548	527,120
Less:Depreciation		230,306	203,436
Less:impairment		<u>24,100</u>	<u>24,100</u>
Net Block		399,142	299,584
Add : CWIP		<u>8,055</u>	<u>123,844</u>
Investments	13	103	103
Current Assets,Loans & Advances:			
Inventories	3	152,986	138,625
Sundry Debtors	14	236,519	208,930
Cash & Bank Balances	15	23,449	23,005
Other Current Assets	16	19,475	14,526
Loans & Advances	17	<u>103,556</u>	<u>96,226</u>
		<u>535,985</u>	<u>481,312</u>
Less:Current Liabilities & Provisions:			
Liabilities	18	268,973	287,211
Provisions	18	<u>32,008</u>	<u>31,702</u>
		<u>300,981</u>	<u>318,913</u>
Net Current Assets		<u>235,004</u>	162,399
TOTAL		<u><u>642,304</u></u>	<u><u>585,930</u></u>
Notes to the Accounts	6, 7, 8 & 19		

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

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Cash Flow Statement for the year ended 31st March, 2010

	For the Year 2009-10	(Rs in ' 000) For the Year 2008-09
Net Profit/(Loss) before tax and after exceptional items	56,117	(75,713)
A. ADJUSTMENT FOR :		
Depreciation	17,177	11,345
(Profit)/Loss on sale of Fixed Assets	(41)	(195)
Interest Received	(508)	(233)
Interest Paid	36,589	28,108
Provision for doubtful debts	—	26,499
Provision for LD & Warranty	1,000	4,400
Foreign Exchange Fluctuation Gain	(3,475)	(1,220)
Foreign Exchange Fluctuation Loss	1,185	2,106
Bad debt written off	47,557	562
EMD written off	5,140	—
Provisions/liabilities no longer required written back	(39,956)	(1,506)
Operating Profit/(loss) before working capital charges	<u>120,786</u>	<u>(5,847)</u>
Adjustment For :		
Trade & other receivables	(65,574)	8,276
Inventories	(14,361)	(17,041)
Trade & other payables	(16,543)	70,695
Cash generated from operation	<u>24,308</u>	<u>56,083</u>
Foreign Exchange Fluctuation Loss (net of gain)	2,290	(887)
Net Cash from operating activities	<u>26,597</u>	<u>55,196</u>
Taxes (paid)/Refund received	1,218	(9,195)
	<u>27,815</u>	<u>46,001</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(126,787)	(19,583)
Sale of Fixed Assets	41	195
Purchase of Investment	—	(100)
Sale of Investment	—	32,700
Decrease (Increase) in Capital WIP	115,789	(51,043)
Net Cash used In Investment Activities	<u>(10,958)</u>	<u>(37,831)</u>

Cash Flow Statement for the year ended 31st March, 2010 (Contd.)

	For the Year 2009-10	(Rs in ' 000) For the Year 2008-09
C. CASH FLOW FINANCING ACTIVITIES		
Interest paid	(36,589)	(27,921)
Increase/(Decrease) in borrowings	20,175	15,500
Payment of Dividend	—	(18,991)
Tax on Dividend	—	(3,228)
Net Cash used in Financing Activities	<u>(16,414)</u>	<u>(34,640)</u>
Net Increase/ (decrease) In Cash & Cash equivalents	444	(26,470)
Cash & Cash equivalents at beginning	23,005	49,475
Cash & Cash equivalents at closing	23,449	23,005
Net Increase/ (decrease) in cash & cash equivalents	<u>444</u>	<u>(26,470)</u>

Notes :

- 1) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements.
- 2) Cash and Bank balance includes Rs 20,682 (previous year Rs 19,340) which are under lien or are not freely available.
- 3) Previous year's figures have been rearranged, where necessary.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Schedule to the Accounts

	(Rs in ' 000)	
	For the Year ended 31.03. 2010	For the Year ended 31.03. 2009
SCHEDULE 1 - SALES		
Gross Sales :		
Inland	1,009,228	900,639
Export	4,863	3,014
	<u>1,014,091</u>	<u>903,653</u>
Less : Excise Duty	74,038	99,435
Net Sales	<u>940,053</u>	<u>804,218</u>

DETAILS OF NET SALES [PRODUCTWISE]

	For the Year ended 31.03.2010		For the Year ended 31.03.2009	
<u>CLASS OF GOODS</u>	Nos	Value	Nos	Value
Trainlighting Dynamos/ Alternators,Generators & D.C.Motors :	1506	164,132	1,291	114,672
SAB Brake Regulator/CL-8 :	26681	306,580	17,011	236,539
Pantograph for Elec.Locos & Elec.Multiple Unit Stock A.C. & D.C. :	480	65,669	430	60,890
Air Brakes/ Loco Valves :	2434	115,397	3,739	182,080
Air Dryer :	190	24,237	424	52,310
	[Sets]		[Sets]	
EOTT	—	—	3	808
Air Springs	200	67,449	—	—
Pneumatic Control Equipment	149	9,484	—	—
Installation Charges & Conversion/Processing of Raw Materials :		10,767		9,798
Spares for above items :		175,301		144,192
Airconditioning & Refrigeration Equipment,Spares etc. :		1,037		2,929
Total		<u>940,053</u>	Total	<u>804,218</u>

SCHEDULE 2 - INCOME FROM OTHER SOURCES

	For the Year ended 31.03.2010	For the Year ended 31.03.2009
Foreign Exchange Gain	2,290	—
Profit on Sale of Fixed Assets	41	195
Liabilities no longer required, written back	1,695	1,506
Miscellaneous Receipts	521	1,430
	<u>4,547</u>	<u>3,131</u>

Schedule to the Accounts (Contd.)

	For the Year ended 31.03.2010		For the Year ended 31.03.2009	
(Rs in ' 000)				
SCHEDULE 3 - CONSUMPTION OF MATERIALS				
(a) Opening Stock				
Raw Materials	80,913		81,694	
Work in Progress	51,175		37,397	
Finished Goods	6,537	138,625	2,493	121,584
Add: Purchases	589,855		606,585	
Duty ,Landing, Clearing & Freight	18,774	608,629	14,776	621,361
		<u>747,254</u>		<u>742,945</u>
Deduct: Closing Stock				
Raw Materials	98,370		80,913	
Work in Progress	46,896		51,175	
Finished Goods	7,720	152,986	6,537	138,625
		<u>594,268</u>		<u>604,320</u>
Deduct : Sale of Scraps		2,368		1,383
		<u><u>591,900</u></u>		<u><u>602,937</u></u>

(b) Raw Materials Consumed(*)	Items	Unit	For the Year ended 31.03.10		For the Year ended 31.03.09	
			Quantity	Value	Quantity	Value
	**Ferrous Metal	Tonne.	37	2,075	848	51,499
	**Non-Ferrous Metal	Tonne	14	3,893	39	8,429
	Stampings	Kgs.	138,790	14,325	106,974	12,007
	Castings	Pcs	67,260	18,915	394,908	61,391
	Bearings	Pcs	48,914	13,719	23,197	8,632
	Piece Parts [includes A.C.Spares]	Pcs	4,285,082	537,401	3,450,890	468,744
	***Others		—	844	—	4,783
				<u>591,172</u>		<u>615,484</u>

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

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

***Includes various items with different quantitative denominations.

(c) Opening and Closing Stock of Goods Produced

	2009-10				2008-09			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
	(Nos)	(Rs.)	(Nos)	(Rs.)	(Nos)	(Rs.)	(Nos)	(Rs.)
Air Dryer	91	6,009	111	7,329	23	2,065	91	6,009
Others	—	528	—	391	—	428	—	528
		<u>6,537</u>		<u>7,720</u>		2,493		6,537

Schedule to the Accounts (Contd.)

	For the Year ended 31.03. 2010	(Rs in ' 000) For the Year ended 31.03. 2009
SCHEDULE 4 - EXPENSES		
Salaries, Wages , Bonus etc	94,469	78,880
Contribution to Provident and Superannuation Funds	6,944	6,535
Gratuity	241	2,753
Staff Welfare	10,835	10,472
Consumption of Stores	23,864	19,764
Power and Fuel	10,895	9,927
Insurance	570	451
Rent (Net)	3,005	2,440
Rates & Taxes	901	383
Selling & Distribution Expenses	8,071	6,067
Business Development Expenses	504	3,565
Legal & Professional Expenses	6,981	3,872
Auditors Remuneration	488	400
Repairs :		
Buildings	811	1,227
Plant & Machinery	461	492
Others	3,187	3,711
Freight & Transport	19,373	17,506
Travelling & Conveyance	12,151	15,237
Postage, Telephone & Stationery	7,827	6,155
Provision for bad debts & Others	—	26,499
Bad Debts	47,557	562
Earnest Money Deposit written off	5,140	—
Provision for Bad debt and doubtful debt no longer required , now written back	(35,419)	—
Provision for Earnest Money Deposit no longer required , now written back	(2,842)	—
LD & warranty	1,000	4,400
Royalty	1,978	1,505
Foreign Exchange Loss	—	887
Miscellaneous expenses	14,333	15,475
	<u>243,325</u>	<u>239,165</u>
SCHEDULE 5 - INTEREST		
Interest on Term Loans	7,582	8,157
Interest on Cash Credit etc.	27,737	18,989
Interest on others	1,066	753
Car Lease Finance Charges	204	209
	<u>36,589</u>	<u>28,108</u>
Less : Interest on Deposits & others (Gross of Tax deducted at source Rs. 76 Previous year Rs 41)	508	233
	<u>36,081</u>	<u>27,875</u>

Schedule to the Accounts (Contd.)

(Rs in ' 000)

SCHEDULE 6 - CAPACITY AND PRODUCTION

Class of Goods	Unit	Annual Licensed Capacity	*Annual Installed Capacity	Production	
				For the year ended 31.03.10	For the year ended 31.03.09
Trainlighting Dynamos/ Alternators, Generators & D.C.Motors	Nos.	2,000	2,000	1,506	1,291
SAB Brake Regulator/CL-8	Nos.	24,600	24,600	26,189	16,398
Empty Load Boxes	Nos.	15,000	15,000	492	613
Pantograph for Elec.Locos & Elec.Multiple Unit Stock A.C. & D.C.	Nos.	600	600	480	430
Air Brakes/Loco Valves	Sets	10,000	10,000	2,434	3,739
Locomotive Brake Module	Nos.	1,000	1,000	—	—
Air Drier (**)	Sets	10,000	1,200	210	492
Electronic Brake Systems	Nos.	400	400	—	—
Biological Toilet Systems	Nos.	4,400	4,400	—	—
Trade Brake Units	Nos.	240	240	—	—
Coverter/Inverter	Nos.	1,600	1,600	—	—
Air Springs	Sets	3,600	3,600	200	—
Pneumatic Control Equipment	Sets	2,000	2,000	149	—
Electronic Locomotive Control System Spares (***)	Nos.	400	400	—	—

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

(**) Production includes Return 20 nos. (Previous Year 68 Nos.)

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

SCHEDULE 7A - CONSUMPTION OF RAW MATERIALS

(Rs in ' 000)

	For the Year ended 31.03. 2010		For the Year ended 31.03. 2009	
	% of total consumption	Amount	% of total consumption	Amount
Imported	10	61,432	6	36,768
Indigenous	90	529,740	94	566,169
	<u>100</u>	<u>591,172</u>	<u>100</u>	<u>602,937</u>

SCHEDULE 7B - CONSUMPTION OF COMPONENTS AND SPARE PARTS

	For the Year ended 31.03. 2010		For the Year ended 31.03. 2009	
	% of total consumption	Amount	% of total consumption	Amount
Indigenous	100	23,864	100	19,764
	<u>100</u>	<u>23,864</u>	<u>100</u>	<u>19,764</u>

SCHEDULE 8A - IMPORTS AND EXPENDITURE IN FOREIGN CURRENCY

	For the Year ended 31.03. 2010	For the Year ended 31.03. 2009
	Amount	Amount
C.I.F. Value of Imports :		
Raw Materials and Components	58,519	39,040
Royalty	385	—
Others	632	3,925
	<u>59,536</u>	<u>42,965</u>

SCHEDULE 8B - EARNINGS IN FOREIGN EXCHANGE

	For the Year ended 31.03. 2010	For the Year ended 31.03. 2009
	Amount	Amount
FOB value of exports	<u>4,863</u>	<u>3,014</u>

Schedule to the Accounts (Contd.)

SCHEDULE 9 - SHARE CAPITAL

	As at 31.03. 2010	(Rs in ' 000) As at 31.03. 2009
AUTHORISED:		
100,00,000 Equity Shares of Rs. 10/- each	<u>100,000</u>	<u>100,000</u>
ISSUED:		
76,67,963 Equity Shares of Rs. 10/- each (Previous year 76,67,963 Equity Shares of Rs. 10/- each)	<u>76,679</u>	<u>76,679</u>
SUBSCRIBED:		
75,96,499 Equity Shares of Rs. 10/- each (Previous Year 75,96,499 Equity Shares of Rs.10/- each)	<u>75,965</u>	<u>75,965</u>
Add : 13,600 Equity Shares of Rs. 10/- each (Previous Year 13,600 Equity Shares of Rs.10/- each)	<u>68</u>	<u>68</u>
Rs.5/- Paid on application & forfeited	<u><u>76,033</u></u>	<u><u>76,033</u></u>

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

SCHEDULE 10 - 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	65,925	76,068
Transfer to profit & loss account Being depreciation on revalued assets	<u>(10,052)</u>	<u>(10,143)</u>
Other Reserve	53	53
Securities Premium account :		
Balance beginning of the year	107,457	107,457
General Reserve :		
Balance as per last account	59,556	59,556
Surplus as per Profit & Loss Account	<u>85,314</u>	<u>41,245</u>
	<u><u>310,253</u></u>	<u><u>276,236</u></u>

Schedule to the Accounts (Contd.)

SCHEDULE 11 - SECURED LOANS

Loan from Industrial Development Bank of India (IDBI)	9,957	34,856
Loan from Housing Development Finance Corporation (HDFC)	—	410
Cash Credit from Banks	226,820	172,711
Loan from Orix Auto Infrastructure Services Ltd	16,327	24,652
Finance lease obligation to Orix Auto Infrastructure Services Ltd	732	1,032
	<u>253,836</u>	<u>233,661</u>

Loan from IDBI is secured by a charge on immovable & movable properties of HST Division of Bakelite Hylam Ltd, Sanathnagar, Hyderabad, 1st charge on the existing movable & immovable assets of the Company and pledge of shares of NRC Ltd. transferred pursuant to the scheme of arrangement, irrevocable and unconditional guarantee from a Director & corporate guarantee from Duncan Industries Limited and are secured by way of a second charge on the current assets of the Company.

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

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

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

SCHEDULE 13 - INVESTMENTS

LONG TERM INVESTMENTS

Unquoted - At Cost

TRADE

1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	3	3
OTHER THAN TRADE		

Shares in Subsidiary Company :

10000 Equity Shares of Rs. 10 each fully paid up in Stone Intermodal Private Limited	100	100
	<u>103</u>	<u>103</u>

Schedule to the Accounts (Contd.)

	(Rs in ' 000)	
	As at 31.03. 2010	As at 31.03. 2009
SCHEDULE 14 - SUNDRY DEBTORS (UNSECURED)		
(Unsecured-considered good unless otherwise stated)		
Over Six Months		
– Considered good	61,177	52,892
– Considered Doubtful	—	35,419
Other debts		
Considered good	<u>175,342</u>	<u>156,038</u>
	<u>236,519</u>	<u>244,349</u>
Less : Provision for doubtful debts	—	35,419
	<u>236,519</u>	<u>208,930</u>
SCHEDULE 15 - CASH AND BANK BALANCES		
Cash in hand	1,451	1,898
With Scheduled Banks on :		
– Current Accounts	849	1,523
– Dividend Accounts	611	624
– Debenture Interest Accounts	223	223
– Unutilised Share Application Money	244	244
– Margin Money Deposit (Under Lien)	11,140	15,857
– Fixed Deposit (Under Lien)	<u>8,931</u>	<u>2,636</u>
	<u>23,449</u>	<u>23,005</u>
SCHEDULE 16 - OTHER CURRENT ASSETS		
Deposit with customers/others :		
– Considered good	19,475	14,526
– Considered doubtful	—	2,842
	<u>19,475</u>	<u>17,368</u>
Less : Provision for doubtful amounts	—	2,842
	<u>19,475</u>	<u>14,526</u>
SCHEDULE 17 - LOANS AND ADVANCES		
Loans and Advances recoverable in cash or in kind or for value to be received		
Unsecured - considered good	85,695	66,587
Including Rs. 33,516 (Previous Year Rs. 14,349) to a Subsidiary Company.		
under the same management (Maximum outstanding Rs. 33,516)		
– Considered doubtful	6,520	6,520
Advance payment of Income Tax, Fringe Benefit Tax and Tax Deducted at Source	<u>17,861</u>	<u>29,639</u>
	<u>110,076</u>	<u>102,746</u>
Less : Provision for doubtful loans & Advances	6,520	6,520
	<u>103,556</u>	<u>96,226</u>
SCHEDULE 18 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
Sundry Creditors (Refer Note B 18 of Schedule 19)*	165,826	188,886
Liability for Gratuity	234	1,994
Other Liabilities**	102,386	95,791
Unpaid Dividend **	<u>527</u>	<u>540</u>
	<u>268,973</u>	<u>287,211</u>
* Amount due to creditors include Rs. 39,652 due to small scale industries as at 31st March, 2010 (Previous year Rs. 42,452)		
** Other Liabilities includes Rs. 86 (Previous year Rs.122) on account of unclaimed Debenture Interest. These amounts are not yet due to be credited to Investors Education & Protection Fund.		
Provisions:		
Current Tax	22,734	22,312
Fringe Benefit Tax	2,790	3,906
Provision for LD & Warranty	<u>6,484</u>	<u>5,484</u>
	<u>32,008</u>	<u>31,702</u>
	<u>300,981</u>	<u>318,913</u>

Schedule to the Accounts (Contd.)

SCHEDULE 19 - NOTES ON ACCOUNTS

A) Significant Accounting Policies

1. Basis of Preparation of Financial Statements

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

2. Sales:

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

3. Employee benefits:

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

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

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

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

4. Fixed Assets and Depreciation :

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

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

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

5. Expenditure during Construction Period

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

6. Impairment:

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

7. Inventories:

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

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

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

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

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

8. Taxes on income

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

Schedule to the Accounts (Contd.)

tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

9. Investments:

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

10. Foreign Currency:

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

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

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

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

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

12. Borrowing Costs:

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

13. Provision for liquidated damages and warranty costs

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

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

14. Finance Lease:

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

B. Notes on Accounts

	As at 31.03.10	As at 31.03.09
1) Commitments on Capital Accounts (net of advances)		
– Tangibles	2,124	3,132
– Intangibles	18,870	18,870
2) Contingent Liabilities to the extent quantified:		
Claims against the Company not acknowledged as debts		
– in respect of Sales tax matters in dispute	5,974	5,974
– in respect of Income matters in dispute	1,607	—
3) a) Work-in-Progress arrived at after conversion of stocks at various stages of completion to equivalent completed production hours, which have been valued at normal labour hour rates and allocated overheads apart from the material cost.		
b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The production overhead has been allocated on actuals/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on technical management estimates, the auditors have relied upon the same.		

Schedule to the Accounts (Contd.)

- 4) Certain debit and credit balances including debtors, creditors and loans and advances are subject to confirmation and reconciliation arising there from.
- 5) The project at Nalagarh commenced operations on 30th April, 2009. Accordingly, preoperative expenses incurred upto 30th April 2009 were allocated among all the Fixed Assets on a proportionate basis as given below:

	Year ended 31.03.10	Year ended 31.03.09
Opening balance	27,374	12,641
Salary, wages & Bonus	196	7,393
Contribution to provident and superannuation funds	10	322
Staff Welfare Expenses	—	546
Power & Fuel	—	215
Rent	—	250
Rates & Taxes	—	259
Interest	137	829
Freight	—	208
Repairs to Building	—	56
Repairs to Plant & Machinery	—	41
Repairs to others	—	74
Consumables stores	—	2,180
Legal Charges	—	1,394
Miscellaneous	145	966
Less: Transferred to Fixed Assets	27,862	—
Balance carried to Balance sheet	—	27,374

- 6) Auditors' remuneration paid/ payable:

	Year ended 31.03.10	Year ended 31.03.09
Audit Fees	150	150
In other capacity :Certificate etc. including quarterly audit fees	338	250
	488	400

- 7) Managerial Remuneration:

	Year ended 31.03.10	Year ended 31.03.09
Remuneration	9,554	8,090
Perquisite	366	370
Total	9,920	8,460

- excluding monetary value of accrued leave and Company's contribution to Gratuity Fund in respect of managerial personnel in employment at the end of the year.
 - Remuneration amounting to Rs 5,817 payable to the Managing Director and the Whole time director are pending approval of the shareholders and the Central Government.
- 8) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous year Rs. 22,897) on leasehold land from Calcutta Port Trust in the earlier years, the Company has preferred a Special Leave Petition in Hon'ble Supreme Court against the judgment of Hon'ble High Court on the matter. The Supreme Court during the year 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.
- 9) 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. During the year the company has received a claim of Rs. 3,317 for the year ended 31st March 2002 against which it has deposited a sum of Rs 1,306 and adjusted the opening liability to that extent and the balance liability has been carried forward pending the final decision in this respect.

Schedule to the Accounts (Contd.)

10) Earnings per share

	Year ended 31.03.10	Year ended 31.03.09
(a) Net Profit/(Net Loss) attributable to equity holders (In Rs.)	44,069	(86,042)
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	76,03,299	76,03,299
(c) Basic and Diluted Earnings per share in Rs.(Face value Rs 10/- per share) (a)/(b)	5.80	(11.33)

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

	As on 1st April 2009	(Charges)/ Credit during the year	As on 31st March 2010
Deferred Tax Assets :			
Unabsorbed Depreciation	4,000	4,656	8,656
Provision for leave	2,756	(348)	2,408
Provision for gratuity	677	(605)	72
	7,433	3,703	11,136
Deferred Tax Liabilities :			
Depreciation Difference	(7,433)	(5,885)	(13,318)
Net Deferred Tax Asset/(Liabilities)	—	(2,182)	(2,182)

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

12) Related Party Disclosures:

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

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

(ii) Associates:

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

(iii) Key Management Personnel (KMP)

A. Mondal : Managing Director & CEO
Shrivardhan Goenka : Wholetime Director

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

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

Schedule to the Accounts (Contd.)

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

Nature of Transaction	Associate Company		Subsidiary Company		Key Management Personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
A. Transactions								
Purchase of Service / Other :								
Odyssey Travel Ltd	792	587	—	—	—	—	792	587
Duncan Industries Limited	—	893	—	—	—	—	—	893
Reimbursement of Expenses :								
Stone Intermodal Pvt Ltd	—	—	17,677	14,349	—	—	17,677	14,349
Remuneration to Key Management Personnel :								
Mr. Amit Mondal	—	—	—	—	6,887	5,760	6,887	5,760
Mr. Shrivardhan Goenka	—	—	—	—	3,033	2,700	3,033	2,700
B. Balance at the end of the year								
Advance (Dr balance)								
Duncan Industries Limited	283	283	—	—	—	—	283	283
Stone Intermodal Pvt Ltd	—	—	32,026	14,349	—	—	32,026	14,349
Creditors/Payables :								
Odyssey Travel Ltd	69	31	—	—	—	—	69	31
Seward Investments Pvt Ltd	10	10	—	—	—	—	10	10

Notes:

- (a) In respect of above parties, there is no provision for doubtful debts as on 31st March 2010 and no amount has been written off or written back during the year in respect of debts due from / to them.
- (b) The above Related Party information is as identified by the Management and relied upon by the auditors.
- 13) Carrying value of Fixed Assets of the Colour Monitor Unit at Kustia Road being affected due to obsolescence, was considered for impairment as on 1st April, 2004 and Rs 24100 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.
- 14) In terms of the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Assets, details of provisions for Liquidated Damages and Warranty are as follows:

	Opening Balance as on 01.04.09	Further provision	Provision Adjusted	Closing Balance as on 31.03.10
Provision for liquidated damages	434	—	—	434
Provision for warranty	5,050	1,000	—	6,050
Total	5,484	1,000	—	6,484

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

- 15) Certain plant and machineries and land and building of the company as on 31.12.2001 and 01.01.2007 were revalued by the approved valuers on net replacement cost basis and fair value basis respectively and surplus of Rs. 424,965 arising there from was credited to Revaluation Reserve. Depreciation includes additional charge of Rs.10,052 for the year (Previous year Rs. 10,143) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.

Schedule to the Accounts (Contd.)

16) Employee Benefits :

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

Defined Contribution Scheme :

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

Employer's Contribution to Provident Fund- Rs. 2,280

Employer's Contribution to Pension Fund – Rs. 2,435

Employer's Contribution to Superannuation Fund- Rs. 1,911

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 (Funded)			Leave Encashment (Non Funded)		
	31/03/10	31/03/09	31/03/08	31/03/10	31/03/09	31/03/08
1 Current Service Cost	1,364	1,206	1,034	1,662	1,487	1,210
2 Interest Cost	1,407	1,328	1,112	493	575	465
3 Expected return on plan assets	(1,555)	(1,346)	(1,063)	—	—	—
4 Actuarial Losses/(Gains)	(975)	1,565	1,020	943	(630)	76
Total Expenses	241	2,753	2,104	3,098	1,432	1,751
Change in the obligation during the year ended March 31, 2010						
1 Present value of Defined Benefit Obligation at the beginning of the year	18,733	16,644	13,591	8,108	7,341	5,756
2 Current Service Cost	1,364	1,206	1,034	1,662	1,487	1,210
3 Interest Cost	1,407	1,328	1,112	493	575	465
4 Benefit Paid	(919)	(889)	(54)	(3,415)	(665)	(166)
5 Actuarial (Gains) / Losses	572	444	961	943	(630)	76
Present value of Defined Benefit Obligation at the end of the year	21,157	18,733	16,644	7,791	8,108	7,341
Change in Assets during the year ended March 31, 2010						
1 Plan Assets at the beginning of the year	16,739	13,403	11,216	—	—	—
2 Contribution by Employer	2,000	4,000	1,238	3,415	665	166
3 Expected return on plan assets	1,555	1,346	1,063	—	—	—
4 Benefit Paid	(919)	(889)	(54)	(3,415)	(665)	(166)
5 Actuarial Gains/(Losses)	1,548	(1,121)	(59)	—	—	—
Plan assets at the end of the year	20,923	16,739	13,403	—	—	—
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2010						
1 Net Asset/(Liability) at beginning of the year	(1,994)	(3,241)	(2,375)	(8,108)	(7,341)	(5,756)
2 Employer Expenses	(240)	(2,753)	2,104	(3,098)	(1,432)	1,752
3 Employer Contributions/Payment	2,000	4,000	1,238	3,415	665	166
4 Net Asset/(Liability) at the end of the year	(234)	(1,994)	(3,241)	(7,791)	(8,108)	(7,341)
Experience Adjustments :						
1 - On Plan Assets	1,548	(1,121)	(59)	—	—	—
2 - On Plan Liabilities	(891)	296	(961)	(1,069)	968	(76)
Actuarial Assumptions :						
1 Discount Rate	7.90%	7.70%	8.20%	7.90%	7.70%	8.20%
2 Expected Rate of Return on Plan Assets.	9.00%	9.00%	9.00%	—	—	—

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

Schedule to the Accounts (Contd.)

17) 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.

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

Particulars

	As at 31st March, 2010	As at 31st March, 2009
Not later than one year	473	473
Later than one year and not later than 5 years	472	944
Later than 5 years	—	—
	945	1,417
Less: Amount representing future interest	213	385
Present Value of minimum lease rentals	732	1,032

19) 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.

20) The Company is in the process of appointing a Whole time Company Secretary as required in terms of Section 383A of Companies Act, 1956.

21) Loans and advances includes Rs. 32,026 (Previous Year Rs. 14,349) recoverable from Stone Intermodal Private Limited (a subsidiary) being administrative and other costs allocated for the development of the product for " Rail Runner Project" to be undertaken by the said subsidiary.

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

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

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Balance Sheet abstract and company's general business profile

ANNEXURE TO THE NOTES ON ACCOUNTS

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

(Rs. in '000)

I. Registration Details

Registration No.

L	3	5	2	0	1	W	B	1	9	3	1	P	L	C	0	0	6	9	9	6
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

State Code

2	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	1	0
---	---	---	---

Date Month Year

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

Public Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L	Right Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
			N	I	L										
			N	I	L										
Bonus Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L	Private Placement	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
			N	I	L										
			N	I	L										

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

Total Liabilities	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>4</td><td>2</td><td>3</td><td>0</td><td>4</td></tr></table>	6	4	2	3	0	4	Total Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>4</td><td>2</td><td>3</td><td>0</td><td>4</td></tr></table>	6	4	2	3	0	4
6	4	2	3	0	4										
6	4	2	3	0	4										

Source of Funds

Paid-up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>7</td><td>6</td><td>0</td><td>3</td><td>3</td></tr></table>		7	6	0	3	3	Reserve & Surplus	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>1</td><td>0</td><td>2</td><td>5</td><td>3</td></tr></table>	3	1	0	2	5	3
	7	6	0	3	3										
3	1	0	2	5	3										
Secured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>5</td><td>3</td><td>8</td><td>3</td><td>6</td></tr></table>	2	5	3	8	3	6	Unsecured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
2	5	3	8	3	6										
			N	I	L										
Deferred Tax Liability	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>1</td><td>8</td><td>2</td></tr></table>			2	1	8	2								
		2	1	8	2										

Application of Funds

Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>0</td><td>7</td><td>1</td><td>9</td><td>7</td></tr></table>	4	0	7	1	9	7	Investments	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>1</td><td>0</td><td>3</td></tr></table>				1	0	3
4	0	7	1	9	7										
			1	0	3										
Net Current Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>3</td><td>5</td><td>0</td><td>0</td><td>4</td></tr></table>	2	3	5	0	0	4	Misc. Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
2	3	5	0	0	4										
			N	I	L										

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

Turnover (Net)/Including from other sources	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>9</td><td>4</td><td>0</td><td>0</td><td>5</td><td>3</td></tr></table>	9	4	0	0	5	3	Total Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>8</td><td>8</td><td>4</td><td>8</td><td>3</td></tr></table>	8	8	8	4	8	3
9	4	0	0	5	3										
8	8	8	4	8	3										
Profit/(Loss) Before Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>(+)</td><td>5</td><td>6</td><td>1</td><td>1</td><td>7</td></tr></table>	(+)	5	6	1	1	7	Profit/(Loss) After Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>(+)</td><td>4</td><td>4</td><td>0</td><td>6</td><td>9</td></tr></table>	(+)	4	4	0	6	9
(+)	5	6	1	1	7										
(+)	4	4	0	6	9										
Earning Per Share (in Rs.) Basic	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>(+)</td><td>5</td><td>.</td><td>8</td><td>0</td></tr></table>		(+)	5	.	8	0	Recommended Dividend Rate (%)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L
	(+)	5	.	8	0										
			N	I	L										
Earning Per Share (in Rs.) Basic	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>(+)</td><td>5</td><td>.</td><td>8</td><td>0</td></tr></table>		(+)	5	.	8	0								
	(+)	5	.	8	0										

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

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>5</td><td>0</td><td>1</td><td>5</td><td>2</td><td>9</td><td>0</td></tr></table>			8	5	0	1	5	2	9	0
		8	5	0	1	5	2	9	0		
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>A</td><td>L</td><td>T</td><td>E</td><td>R</td><td>N</td><td>A</td><td>T</td><td>O</td><td>R</td></tr></table>	A	L	T	E	R	N	A	T	O	R
A	L	T	E	R	N	A	T	O	R		

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>6</td><td>0</td><td>7</td><td>2</td><td>1</td><td>0</td><td>0</td></tr></table>			8	6	0	7	2	1	0	0
		8	6	0	7	2	1	0	0		
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>A</td><td>I</td><td>R</td><td></td><td>B</td><td>R</td><td>A</td><td>K</td><td>E</td><td></td></tr></table>	A	I	R		B	R	A	K	E	
A	I	R		B	R	A	K	E			

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>6</td><td>0</td><td>7</td><td>9</td><td>9</td><td>2</td><td>0</td></tr></table>			8	6	0	7	9	9	2	0
		8	6	0	7	9	9	2	0		
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>A</td><td>I</td><td>R</td><td></td><td>D</td><td>R</td><td>Y</td><td>E</td><td>R</td><td>S</td></tr></table>	A	I	R		D	R	Y	E	R	S
A	I	R		D	R	Y	E	R	S		

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

G.P.Goenka
S.Ray

Chairman
Director

Shrivardhan Goenka
A. Mondal
Subhendu Goswami

Wholtime Director
Managing Director & CEO
Sr.Vice President & CFO

Kolkata, 16th April, 2010

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

1. Name of the Subsidiary Company : STONE INTERMODAL PRIVATE LIMITED
2. Holding Company's Interest : Of the total subscribed capital of Rs. 1,00,000/- consisting of 10,000 Equity Shares of Rs. 10/- each, the entire 10,000 Equity Shares of Rs. 10/- each of the total nominal value of Rs. 1,00,000/- are held jointly by the Company with its two nominees.

	For the year ended 31st March 2010 Rs.	For the year ended 31st March 2009 Rs.
2. The net aggregate amount of Subsidiary's Profit/(Loss) not dealt with in the Company's Account :	NIL	NIL

No part of the above Profit/(Loss) has been dealt with in the Company's Accounts.

G.P. GOENKA
Chairman

S. RAY
Director

A. MONDAL
Managing Director & CEO

SHRIVARDHAN GOENKA
Wholetime Director

SUBHENUGOSWAMY
Sr. Vice President & CEO

Kolkata, 16th April 2010

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Second Annual Report together with the Audited Accounts and Cash Flow Statement for the period from 1st April 2009 to the end of the financial year ended 31st March 2010

The expenses incurred other than those related to formation expenses have been included under Capital Work in Progress.

DIVIDEND

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

ENERGY CONSERVATION

Energy conservation measures are not applicable.

DIRECTORS

Mr. A. Mondal retires by rotation and, being eligible, offers himself for re-appointment.

PERSONNEL

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

AUDITORS

Messrs Lodha & Co., Chartered Accountants retire as statutory Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Messrs Lodha & Co., Chartered Accountants have confirmed their eligibility and willing to continue to act as Auditors of the company for the current year, if re-appointed.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the Accounts, the applicable accounting standards had been followed along with the proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- iii) the Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors had prepared the Annual Accounts on a going concern basis.

For and on behalf of the Board

A. Mondal
Shrivardhan Goenka
Directors

Kolkata, 16th April 2010.

Auditors' Report

TO THE MEMBERS

We have audited the attached Balance Sheet of **Stone Intermodal Private Limited** ('the Company') as at 31st March, 2010 and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

- i) The Company has no fixed assets and accordingly, clauses (i) (a) to (i) (c) of the Order are not applicable to the Company.
- ii) The Company has no inventory and accordingly, clauses (ii) (a) to (ii) (c) of the Order are not applicable to the Company.
- iii) Except for expenses allocated by the holding company for rail runner project, the Company has not taken/granted any loans secured/unsecured to any companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) As there is no purchase of inventories and fixed assets or any sale of goods the clause 4(iv) of the Order is not applicable to the Company.
- v) According to the information and explanations given to us and as per the records of the Company, there is no transaction that needs to be entered in the register required to be maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (v) of the Order are not applicable to the Company.
- vi) The Company has not accepted any public deposits during the year. Accordingly, the provisions of clause 4 (vi) of the Order is not applicable to the Company.
- vii) The requirement of internal audit system is not applicable to the Company.
- viii) Since the Company has not commenced its operation the requirement for maintenance of cost records is not applicable to the Company.
- ix) (a) According to the information and explanation given to us and as per the records of the Company provision relating to Investor Education and Protection Fund, Provident Fund, Employee State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Service Tax are not applicable during the year to the Company.
- (b) As given in Para (a) above, provisions of Clause 4 (ix) (b) of the Order is not applicable to the Company.
- x) The Company has been registered for a period of less than five years, thus the provisions of Clause(x) of the Order are not applicable to the Company.
- xi) The Company has no amounts due to financial institutions or debenture-holders or bank. Accordingly the provisions of clause (xi) of the Order are not applicable to the Company.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the provisions of clause (xii) of the Order are not applicable to the Company.
- xiii) In our opinion, the Company is not a Chit fund or Nidhi/ Mutual benefit funds/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions. Accordingly the provisions of Clause 4 (xv) of the Order are not applicable to the Company.
- xvi) As per the information and explanations given to us, no term loan has been taken during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that no short term funds have been utilized for long term investments.
- xviii) The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (xviii) of the Order are not applicable to the Company.
- xix) The Company has not issued any debenture during the period. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable to the Company.
- xx) The Company has not raised money by public issue during the period. Accordingly, provision of clause 4 (xx) of the Order is not applicable to the Company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the Company, noticed and reported during the period, nor have we been informed of any such case by the management.

Auditors' Report (Contd.)

B. Further to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and beliefs were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.
- c) The Balance Sheet dealt with by this report is in agreement with the books of account.
- d) In our opinion, the Balance Sheet dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Act.
- e) On the basis of written representations received from the Directors as on 31st March, 2010 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, 2010 from being appointed as a director in terms of clause (g) of Sub sec (1) of Section 274 of the Act.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the act in the manner so required and read together with other notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 and
 - ii. in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

Place: Kolkata
Date: 16th April, 2010

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

H. S. Jha
Partner
Membership No. 55854

Balance Sheet as at 31st March, 2010

	SCHEDULE NO.	As at 31st March 2010 (Rs.)	As at 31st March 2009 (Rs.)
SOURCES OF FUNDS:			
Shareholders' Funds:			
Share Capital	1	100,000	100,000
TOTAL		<u>100,000</u>	<u>100,000</u>
APPLICATION OF FUNDS			
Fixed Assets:			
Capital Work In Progress (Refer Note B (1) of Schedule 5)		32,963,091	14,300,768
		<u>32,963,091</u>	<u>14,300,768</u>
Current Assets, Loans and Advances :			
Cash and Bank Balances	2	37,326,501	100,000
Loans & Advances	3	17,534	—
		<u>37,344,035</u>	<u>100,000</u>
Less: Current Liabilities and Provisions:			
Current Liabilities	4	70,225,799	14,373,622
Provision for Taxation	4	54,181	—
		<u>70,279,980</u>	<u>14,373,622</u>
Net Current Assets		<u>(32,935,945)</u>	<u>(14,273,622)</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)		72,854	72,854
TOTAL		<u>100,000</u>	<u>100,000</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	5		

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

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

H S Jha
Partner

For and on behalf of Stone Intermodal Private Limited

A.MONDAL Director
SHRIVARDHAN GOENKA Director

Place: Kolkata
Date: 16th April, 2010

Cash Flow Statement for the year ended 31st March, 2010

	For the Year ended 31st March 2010 (Rs.)	For the Year ended 31st March 2009 (Rs.)
Cash flow from operating activities:		
Trade & other payables	55,852,177	14,373,622
Net Cash from operating activities	<u>55,852,177</u>	<u>14,373,622</u>
Tax (paid) / Refund received	(17,534)	—
	<u>55,834,643</u>	<u>14,373,622</u>
Cash flow from investing activities:		
Increase in Capital Work In Progress	(18,608,142)	(14,300,768)
Preliminary Expenses incurred	—	(72,854)
Net cash from investing activities	<u>(18,608,142)</u>	<u>(14,373,622)</u>
Cash flow from financing activities:		
Amount received towards Share Capital	—	100,000
Net cash from financing activities	<u>—</u>	<u>100,000</u>
Net increase In Cash & Cash equivalents	<u>37,226,501</u>	<u>100,000</u>
Cash & Cash equivalents at beginning	100,000	—
Cash & Cash equivalents at closing	37,326,501	100,000
Net Increase In Cash & Cash equivalents	<u>37,226,501</u>	<u>100,000</u>

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

As per our attached report of even date

For LODHA & CO.

Chartered Accountants

H S Jha
Partner

For and on behalf of Stone Intermodal Private Limited

A.MONDAL

Director

SHRIVARDHANGOENKA

Director

Place: Kolkata

Date: 16th April, 2010

Schedule forming part of the financial Statement.

	As at 31.03. 2010 Rs.	As at 31.03. 2009 Rs.
SCHEDULE-1 SHARE CAPITAL		
Authorised :		
1,00,000 Equity Shares of Rs. 10 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Issued,Subscribed and Paid up :		
10000 Equity Shares of Rs.10 each; fully paid up	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Held by the Holding Company - M/s Stone India Limited and its nominees.		
SCHEDULE-2 CASH AND BANK BALANCES		
Cash In hand	100,000	100,000
Cash at Bank	37,226,501	—
	<u>37,326,501</u>	<u>100,000</u>
SCHEDULE-3 LOANS & ADVANCES		
Tax Deducted at Source	17,534	—
	<u>17,534</u>	<u>—</u>
SCHEDULE-4 CURRENT LIABILITIES AND PROVISION		
Current Liabilities :		
Advances Received: (Including Rs. 33,516,381 (Previous Year- Rs.14,348,622) from Holding Company	70,156,381	14,348,622
Other Liability	69,418	25,000
	<u>70,225,799</u>	<u>14,373,622</u>
Provision :		
Provision for Taxation	54,181	—
	<u>54,181</u>	<u>—</u>
	<u>70,279,980</u>	<u>14,373,622</u>

Schedule to the Accounts (Contd.)

SCHEDULE 5 - NOTES ON ACCOUNTS

A) Significant Accounting Policies:

a. Basis of Preparation of Financial Statements

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

b. Employee benefits:

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

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

c. Expenditure during Construction Period

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

c. Miscellaneous Expenditure:

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

B. Notes to Accounts

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

	2009-10 (Rs.)	2008-09 (Rs.)
Opening Balance	1,43,00,768	—
Salary , Wages & Bonus	73,34,870	49,90,205
Contribution to provident funds	3,26,705	2,45,038
Rates & Taxes	3,500	3,300
Professional Charges*	39,29,740	33,47,925
Staff Welfare Expenses	14,78,307	12,59,972
Travelling & Conveyance	28,21,726	44,19,222
Interior Decoration	23,44,644	—
Misc Charges	5,43,993	35,106
	3,30,84,252	1,43,00,768
Less: Interest Received	1,75,342	—
(Gross of Tax deducted at source Rs.17,534)	—	—
Add: Provision for tax: - Current Tax	54,181	—
Total	3,29,63,091	1,43,00,768

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

*Includes Audit Fees Rs. 25,000 for the year ended 31st March 2010 (Previous year Rs.25,000)

2. Related Party Disclosures:

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

b) Statement showing details of AS-18 related transactions

	Holding Company (Rs.)		Total (Rs.)	
	2009-10	2008-09	2009-10	2008-09
1. Transactions:				
Advance received : Stone India Limited	1,76,77,817	1,43,48,622	1,76,77,817	1,43,48,622
2. Balances as on 31st March, 2010:				
Advance received Stone India Limited	3,35,16,380	1,43,48,622	3,35,16,380	1,43,48,622

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

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

Signature to Schedules 1 to 5

For LODHA & CO.
Chartered Accountants

H S Jha
Partner

For and on behalf of
Stone Intermodal Private Limited

A. MONDAL Director
SHRIVARDHAN GOENKA Director

Place: Kolkata
Date: 16th April, 2010

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") for the year ended 31st March, 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are prepared, in all material respect, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement. We believe that our audit provide 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 the consolidated financial statements.
4. Attention is invited to the following Notes as given in Schedule 16 regarding:
 - a) Rental demands on the Company amounting to Rs. 228.97 lakhs, pending decision of the Court exact status of liability is presently not ascertainable. (Note B8)
 - b) Non-confirmation/reconciliation of certain debit and credit balances adjustments whereof and resultant impacts thereof are presently not ascertainable. (Note B4)
 - c) Payment of managerial remuneration amounting to Rs. 58.17 lakhs which is subject to approval of the Central Government. (Note B7)
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 the information and explanations given to us, we are of the opinion that the said Consolidated financial statements subject to our remarks given in para 4 above, whereby as given in para 5 above, we are unable to ascertain and indicate the impact thereof on these consolidated financial statements and Note B19 of Schedule 16 regarding non availability of details relating to Micro, Small and Medium Enterprise Development Act, 2006 and read together with the other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

H. S. Jha
Partner
Membership No. 55854

Place: Kolkata
Date: 16th April, 2010

Consolidated Profit & Loss Account for the year ended 31st March, 2010

	<u>SCHEDULE</u>	<u>For the Year ended 31st March 2010</u>	<u>For the Year ended 31st March 2009</u>
(Rs in ' 000)			
INCOME			
Sales	1	940,053	804,218
Other Sources	2	4,547	3,131
		<u>944,600</u>	<u>807,349</u>
EXPENDITURE			
Consumption of materials	3	591,900	602,937
Expenses	4	243,325	239,165
Interest (net)	5	36,081	27,875
Depreciation	9	27,229	21,488
Less: Transferred from Revaluation Reserve		<u>(10,052)</u>	<u>(10,143)</u>
		<u>888,483</u>	<u>881,322</u>
Profit/(Loss) before tax & exceptional item		56,117	(73,973)
Add: Prior Period Adjustment (Net)		—	(1,740)
Profit/(Loss) before tax and after prior period adjustments		56,117	(75,713)
Provision for tax :			
– Current Tax		10,034	—
– Deferred tax (Refer Note No.B 11 of Schedule 16)		2,182	8,623
Fringe Benefit Tax		—	1,483
Income tax relating to earlier year		(168)	223
Profit/(Loss) after tax		44,069	(86,042)
Surplus/(Deficit) brought down		44,069	(86,042)
Appropriations :			
Surplus/(Deficit) brought forward		44,069	(86,042)
Transfer from/(to) General Reserve		—	—
Profit/(Loss) brought forward from previous year		41,245	127,287
Surplus carried to Balance Sheet		<u>85,314</u>	<u>41,245</u>
Earnings per share (Face Value Rs. 10/- each)			
– Basic		5.80	(11.33)
– Diluted		5.80	(11.33)
Notes to the Accounts	16		

The schedules referred to above form an integral part of the Profit & Loss account

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

For **LODHA & COMPANY**
Chartered Accountants

H. S. Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Consolidated Balance Sheet as at 31st March, 2010

		(Rs in ' 000)	
	SCHEDULE	As at 31st March 2010	As at 31st March 2009
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	6	76,033	76,033
Reserves & Surplus	7	<u>310,253</u>	<u>276,236</u>
Loan Funds:			
Secured Loans	8	253,836	233,661
Deferred Tax Liability (Net) (Refer Note No.B 11 of Schedule 19)		2,182	—
TOTAL		<u><u>642,304</u></u>	<u><u>585,930</u></u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	9	653,548	527,120
Less: Depreciation		230,306	203,436
Less: impairment		24,100	24,100
Net Block		<u>399,142</u>	<u>299,584</u>
Add : CWIP		<u>41,018</u>	<u>138,145</u>
Investments	10	3	3
Current Assets, Loans & Advances:			
Inventories	3	152,986	138,625
Sundry Debtors	11	236,519	208,930
Cash & Bank Balances	12	60,776	23,105
Other Current Assets	13	19,475	14,526
Loans & Advances	14	<u>70,058</u>	<u>81,877</u>
		<u>539,814</u>	<u>467,063</u>
Less: Current Liabilities & Provisions:			
Liabilities	15	305,684	287,236
Provisions	15	<u>32,062</u>	<u>31,702</u>
		<u>337,746</u>	<u>318,938</u>
Miscellaneous Expenditure (To the extent not yet written off nor adjusted)		73	73
TOTAL		<u><u>642,304</u></u>	<u><u>585,930</u></u>
Notes to the Accounts	16		

The schedules referred to above form an integral part of the Balance Sheet

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

For **LODHA & COMPANY**

Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

Cash Flow Statement for the year ended 31st March, 2010 (Consolidated)

	For the Year ended 31.03. 2010	(Rs in ' 000) For the Year ended 31.03. 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax and after exceptional items	56,117	(75,713)
Adjustment for :		
Depreciation	17,177	11,345
Profit/Loss on Sale of Fixed Assets	(41)	(195)
Interest received	(508)	(233)
Interest paid	36,589	28,108
Provision for doubtful debts	—	26,499
Provision for LD & Warranty	1,000	4,400
Foreign Exchange Fluctuation Gain	(3,475)	(1,220)
Foreign Exchange Fluctuation Loss	1,185	2,106
Bad Debt Written off	47,557	562
EMD written off	5,140	—
Provision/Liabilities no longer required written back (including exceptional items)	(39,956)	(1,506)
Operating Profit before working capital changes	120,785	(5,847)
Adjustment for:		
Trade & other receivables	(46,407)	22,625
Inventories	(14,361)	(17,041)
Trade & other payables	20,143	70,720
Cash generated from operation	80,160	70,456
Foreign Exchange Fluctuation Loss (net of gain)	2,290	(887)
Cash flow before extraordinary items	82,450	69,570
Taxes (paid)/Refund received	1,254	(9,195)
Net Cash from operating activities	83,704	60,375
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(126,787)	(19,583)
Sale of Fixed Assets	41	195
Sale of Investment	—	32,700
Decrease/(Increase) in Capital WIP	97,127	(65,344)
Preliminary Expenses incurred	—	(73)
Net Cash used in Investment Activities	(29,619)	(52,105)

Cash Flow Statement for the year ended 31st March, 2010 (Consolidated) (Contd.)

	For the Year ended 31.03. 2010	(Rs in ' 000) For the Year ended 31.03. 2009
C. CASH FLOW FINANCING ACTIVITIES		
Interest paid	(36,589)	(27,921)
Increase/(Decrease) in borrowings	20,175	15,500
Payment of Dividend	—	(18,991)
Tax on Dividend	—	(3,228)
Net Cash used in Financing Activities	(16,414)	(34,640)
Net increase in Cash & Cash equivalents	37,671	(26,370)
Cash & Cash equivalents at beginning	23,105	49,475
Cash & Cash equivalents at closing	60,776	23,105
Net increase in Cash & Cash equivalents	37,671	(26,370)

Notes :

- 1) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements.
- 2) Cash and Bank balance includes Rs. 20,682 (previous year Rs. 19,340) which are under lien or are not freely available.
- 3) Previous year's figures have been rearranged, where necessary.

As per our attached report of even date

For LODHA & COMPANY
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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

	For the Year ended 31.03.2010	(Rs in ' 000) For the Year ended 31.03.2009
SCHEDULE 1 - SALES		
Gross Sales :		
Inland	1,009,228	900,639
Export	<u>4,863</u>	<u>3,014</u>
	1,014,091	903,653
Less : Excise Duty	<u>74,038</u>	<u>99,435</u>
Net Sales	<u><u>940,053</u></u>	<u><u>804,218</u></u>
SCHEDULE 2 - INCOME FROM OTHER SOURCES		
Foreign Exchange Gain	2,290	—
Profit on Sale of Fixed Assets	41	195
Liabilities no longer required, written back	1,695	1,506
Miscellaneous Receipts	<u>521</u>	<u>1,430</u>
	<u><u>4,547</u></u>	<u><u>3,131</u></u>
SCHEDULE 3 - CONSUMPTION OF MATERIALS		
(a) Opening Stock		
Raw Materials	80,913	81,694
Work in Progress	51,175	37,397
Finished Goods	<u>6,537</u>	<u>2,493</u>
	138,625	121,584
Add: Purchases	589,855	606,585
Duty, Landing & Clearing	<u>18,774</u>	<u>14,776</u>
	<u><u>747,254</u></u>	<u><u>742,945</u></u>
Deduct: Closing Stock		
Raw Materials	98,370	80,913
Work in Progress	46,896	51,175
Finished Goods	<u>7,720</u>	<u>6,537</u>
	<u><u>152,986</u></u>	<u><u>138,625</u></u>
	594,268	604,320
Deduct : Sale of Scraps	<u>2,368</u>	<u>1,383</u>
	<u><u>591,900</u></u>	<u><u>602,937</u></u>

Schedule to the Accounts (Contd.)

	For the Year ended 31.03. 2010	(Rs in ' 000) For the Year ended 31.03. 2009
SCHEDULE 4 - EXPENSES		
Salaries, Wages, Bonus etc	94,469	78,880
Contribution to Provident and Superannuation Funds	6,944	6,535
Gratuity	241	2,753
Staff Welfare	10,835	10,472
Consumption of Stores	23,864	19,764
Power and Fuel	10,895	9,927
Insurance	570	451
Rent (Net)	3,005	2,440
Selling & Distribution Expenses	8,071	6,067
Rates & Taxes	901	383
Business Development Expenses	504	3,565
Legal & Professional Fees	6,981	3,872
Auditors Remuneration	488	400
Repairs :		
Buildings	811	1,227
Plant & Machinery	461	492
Others	3,187	3,711
Freight & Transport	19,373	17,506
Travelling & Conveyance	12,151	15,237
Postage, Telephone & Stationery	7,827	6,155
Provision for bad debts & Others	—	26,499
Provision for Bad debt & doubtful debt no longer required, now written back	(35,419)	—
Provision for Earnest Money Deposit no longer required, now written back	(2,842)	—
Bad debt written off	47,557	562
Earnest Money Deposit written off	5,140	—
LD & warranty	1,000	4,400
Royalty	1,978	1,505
Foreign Exchange Loss	—	887
Miscellaneous expenses	14,333	15,475
	<u>243,325</u>	<u>239,165</u>
SCHEDULE 5 - INTEREST		
Interest on Term Loans	7,582	8,157
Interest on Bank Overdraft etc.	27,737	18,989
Interest on others	1,066	753
Car Lease Finance Charges	204	209
	<u>36,589</u>	<u>28,108</u>
Less : Interest Received on Deposits & others (Gross of Tax deducted at source Rs. 94 Previous year Rs. 41)	508	233
	<u>36,081</u>	<u>27,875</u>

Schedule to the Accounts (Contd.)

	(Rs in ' 000)	
	<u>As at 31.03. 2010</u>	<u>As at 31.03. 2009</u>
SCHEDULE 6 - SHARE CAPITAL		
AUTHORISED:		
100,00,000 Equity Shares of Rs. 10/- each	<u>100,000</u>	<u>100,000</u>
ISSUED:		
76,67,963 Equity Shares of Rs. 10/- each (Previous year 76,67,963 Equity Shares of Rs. 10/- each)	<u>76,679</u>	<u>76,679</u>
SUBSCRIBED:		
75,28,999 Equity Shares of Rs. 10/- each (Previous Year 75,28,999 Equity Shares of Rs.10/- each)	<u>75,965</u>	<u>75,965</u>
Add : 13,600 Equity Shares of Rs. 10/- each (Previous Year 13,600 Equity Shares of Rs.10/- each)	<u>68</u>	<u>68</u>
Rs.5/- Paid on application & forfeited	<u>—</u>	<u>—</u>
10,000 Equity Shares of Rs.10/- each fully paid up	<u>—</u>	<u>—</u>
	<u><u>76,033</u></u>	<u><u>76,033</u></u>

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

SCHEDULE 7 - RESERVES AND SURPLUS

Capital Investment Subsidy Reserve	2,000		2,000
Capital reserve in terms of the scheme of arrangement	65,925		76,068
Transfer to Profit & Loss Account on revaluation of fixed assets			
Being depreciation on revalued assets	<u>(10,052)</u>	55,873	<u>(10,143)</u>
Other Reserve		53	53
Share Premium account :		107,457	107,457
General Reserve :		59,556	59,556
Surplus as per Profit & Loss Account		<u>85,314</u>	<u>41,245</u>
		<u><u>310,253</u></u>	<u><u>276,236</u></u>

SCHEDULE 8 - SECURED LOANS

Loan from Industrial Development Bank of India (IDBI)	9,957		34,856
Loan from Housing Development Finance Corporation (HDFC)	—		410
Cash Credit from Banks	226,820		172,711
Loan from Orix Auto Infrastructural Services Ltd	16,327		24,652
Finance lease obligation to Orix Auto Infrastructural Services Ltd	732		1,032
	<u>253,836</u>		<u>233,661</u>

Loan from IDBI is secured by a charge on immovable & movable properties of HST Division of Bakelite Hylam Ltd, Sanathnagar, Hyderabad.

First charge on the existing movable & immovable assets of the Company and pledge of shares of NRC Ltd. transferred pursuant to the scheme of arrangement, an irrecoverable and unconditional guarantee from a Director & corporate guarantee from Duncan Industries Limited and are secured by way of a second charge on the current assets of the Company.

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

Loan taken from Orix Auto Infrastructural services Ltd. is secured against Plant & Machinery acquired against the said loan. Finance Lease obligation is secured against Cars taken on Finance Lease.

Schedule to the Accounts (Contd.)

	(Rs in ' 000)	
	As at 31.03. 2010	As at 31.03. 2009
SCHEDULE 10 - INVESTMENTS		
LONG TERM INVESTMENTS		
UNQUOTED - AT COST (TRADE)		
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.	3	3
	<u>3</u>	<u>3</u>
SCHEDULE 11 - SUNDRY DEBTORS		
(Unsecured-considered good unless otherwise stated)		
Over Six Months		
– Considered good	61,177	52,892
– Considered Doubtful	—	35,419
Other debts		
Considered good	175,342	156,038
	<u>236,519</u>	<u>244,349</u>
Less : Provision for doubtful debts	—	35,419
	<u>236,519</u>	<u>208,930</u>
SCHEDULE 12 - CASH AND BANK BALANCES		
Cash in hand	1,551	1,998
With Scheduled Banks on :		
– Current Accounts	38,076	1,523
– Dividend Accounts	611	624
– Debenture Interest Accounts	223	223
– Unutilised Share Application Money	244	244
– Margin Money Deposit	11,140	15,857
– Fixed Deposit	8,931	2,636
	<u>60,776</u>	<u>23,105</u>
SCHEDULE 13 - OTHER CURRENT ASSETS		
Deposit with customers/others :		
– Considered good	19,475	14,526
– Considered doubtful	—	2,842
	<u>19,475</u>	<u>17,368</u>
Less : Provision	—	2,842
	<u>19,475</u>	<u>14,526</u>
SCHEDULE 14 - LOANS AND ADVANCES		
Loans and Advances recoverable in cash or in kind or for value to be received		
Unsecured - considered good	52,179	52,238
– Considered doubtful	6,520	6,520
Advance payment of Income Tax	17,879	29,639
	<u>76,578</u>	<u>88,397</u>
Less : Provision	6,520	6,520
	<u>70,058</u>	<u>81,877</u>

Schedule to the Accounts (Contd.)

	<u>As at 31.03. 2010</u>	<u>As at 31.03. 2009</u>
		(Rs in ' 000)
SCHEDULE 15 - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
Sundry Creditors* (Refer Note B 19 of Schedule 16)	202,467	188,886
Liability for Gratuity	234	1,994
Other Liabilities**	102,456	95,816
Unpaid Dividend	527	540
	<u>305,684</u>	<u>287,236</u>
* Amount due to creditors include Rs. 39,652 due to small scale industries as at 31st March, 2010 (Previous year Rs. 42,452)		
** Other Liabilities includes Rs. 105 (Previous year 122) on account of unclaimed Debenture Interest. These amounts are not yet due to be credited to Investors Education & Protection Fund.		
Provisions:		
Current Tax	22,788	22,312
Fringe Benefit Tax	2,790	3,906
Provision for LD & Warranty	6,484	5,484
	<u>32,062</u>	<u>31,702</u>
	<u>337,746</u>	<u>318,938</u>

Schedule to the Accounts (Contd.)

SCHEDULE 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(A) Accounting Policies

1. Principles of Consolidation

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

- The financial statements (the Balance Sheet and the Profit & Loss Account) of the Company and the Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions if any and the resulting unrealized profits or losses.
- The financial statement of the subsidiary used in the consolidation is drawn upto 31st March' 2010, the same reporting date as that of the Company.

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

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

2. Basis of Preparation of Financial Statements

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

3. Sales

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

4. Employee benefits

Employee benefits are accrued in the year 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.

5. Fixed Assets and Depreciation

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

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

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

6. Expenditure during Construction Period

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

7. Impairment

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

Schedule to the Accounts (Contd.)

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

8. Inventories

- a) Inventories are valued at the lower of cost or estimated net realizable value. Cost is determined on first in first out method of valuation.
- b) Cost of raw materials and bought out components are determined on the basis of first in first out method of valuation.
- c) Work-in-progress is valued at direct material cost, direct labour cost and allocable direct/indirect production overheads. Labour cost is determined by applying normal labour hour rates on equivalent completed production hours as estimated by the Technical Department.
- d) Finished Goods are valued after considering appropriate portion of allocable overhead considered relatable to production directly or indirectly. Allocable overheads have been determined on actual/pro-rata basis with reference to the aggregate overheads of the Company.
- e) Provision is made for slow-moving and obsolete inventories.

9. Taxes on income

Provision for tax is made for current and deferred 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.

10. Investments

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

11. Foreign Currency:

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign Currency monetary assets and liabilities at the 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.

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

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

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

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

13. Borrowing Costs

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

14. Provision for liquidated damages and warranty costs

- a) Provision for liquidated damages in terms of agreement with customers is made as estimated based on merit and probability of its occurrence.
- b) Product warranty costs are accrued in the year of sale as estimated based on past experience.

15. Finance Lease

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

Schedule to the Accounts (Contd.)

B. Notes on Accounts

	2009-10	2008-09
1) Commitments on Capital Accounts (net of advances)		
– Tangibles	3,212	3,132
– Intangibles	18,870	18,870
2) Contingent Liabilities to the extent quantified:		
Claims against the Company not acknowledged as debts		
– in respect of Sales tax matters in dispute	5,974	5,974
– in respect of Income matters in dispute	1,607	—
3) a) Work-in-Progress arrived at after conversion of stocks at various stages of completion to equivalent completed production hours, which have been valued at normal labour hour rates and allocated overheads apart from the material cost.		
b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The production overhead has been allocated on actuals/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on technical management estimates, the auditors have relied upon the same.		
4) Certain debit and credit balances including debtors, creditors and loans and advances are subject to confirmation and reconciliation arising there from.		
5) a) The project at Nalagarh commenced operations on 30th April, 2009. Accordingly, preoperative expenses incurred upto 30th April 2009 were allocated among all the Fixed Assets on a proportionate basis as given below:		

Particulars	2009-10	2008-09
Opening balance	27,374	12,641
Salary, wages & Bonus	196	7,393
Contribution to provident and superannuation funds	10	322
Staff Welfare Expenses	—	546
Power & Fuel	—	215
Rent	—	250
Rates & Taxes	—	259
Interest	137	829
Traveling & conveyance	—	—
Freight	—	208
Repairs to Building	—	56
Repairs to Plant & Machinery	—	41
Repairs to others	—	74
Consumables stores	—	2,180
Legal and Professional Charges	—	1,394
Miscellaneous	145	966
Less: Transferred to Fixed Assets	27,862	—
Balance carried to Balance sheet	—	27,374

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

Particulars	2009-10	2008-09
Opening Balance	14,301	—
Salary, wages & Bonus	7,335	4,991
Contribution to provident and superannuation fund	326	245
Rates & Taxes	3	3
Professional Charges*	3,930	3,348
Staff Welfare Expenses	1,478	1,260
Travelling expenses	2,822	4,419
Interior Decoration	2,345	—
Misc. Charges	544	35
Total	33,084	14,301

Schedule to the Accounts (Contd.)

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

*Includes Audit Fees Rs. 25 for the year ended 31st March, 2010 (Previous year Rs.25)

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

	2009-10	2008-09
Audit Fees [Rs 25 included in preoperative expenses (Previous Yr Rs.25)	175	175
In other capacity :Certificate etc.	338	250
	513	425

7) **Managerial Remuneration:**

	2009-10	2008-09
Remuneration	9,554	8,090
Perquisite	366	370
Total	9,920	8,460

- excluding monetary value of accrued leave and Company's contribution to Gratuity Fund in respect of managerial personnel in employment at the end of the year.
- Remuneration amounting to Rs 5,817 payable to the Managing Director and the Whole time director are pending approval of the shareholders and the Central Government.

8) In respect of demand for increase in rentals amounting to Rs. 22,897 (Previous year Rs. 22,897) on leasehold land from Calcutta Port Trust in the earlier years, the Company has preferred a Special Leave Petition in Hon'ble Supreme Court against the judgment of Hon'ble High Court on the matter. The Supreme Court during the year 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.

9) 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. During the year the company has received a claim of Rs. 3,317 for the year ended 31st March 2002 against which it has deposited a sum of Rs 1,306 and adjusted the opening liability to that extent and the balance liability has been carried forward pending the final decision in this respect.

10) **Earnings per share**

	2009-10	2008-09
(a) Net Profit/(Net Loss) attributable to equity holders (In Rs.)	44,069	(86,042)
(b) Number of Equity Shares issued	76,03,299	76,03,299
(c) Basic and Diluted Earnings per share in Rs.(Face value Rs 10/- per share) (a)/(b)	5.80	(11.33)

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

	As on 1st April 2009	(Charges)/ Credit during the year	As on 31st March 2010
Deferred Tax Assets :			
Unabsorbed Depreciation	4,000	4,656	8,656
Provision for leave	2,756	(348)	2,408
Provision for gratuity	677	(605)	72
	7,433	3,703	11,136
Deferred Tax Liabilities :			
Depreciation Difference	(7,433)	(5,885)	(13,318)
Net Deferred Tax Asset/(Liabilities)	—	(2,182)	(2,182)

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

Schedule to the Accounts (Contd.)

12) Related Party Disclosures:

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

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

(ii) Associates:

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

(iii) Key Management Personnel (KMP)

A. Mondal : Managing Director & CEO

Shrivardhan Goenka : Wholetime Director

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

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

Statement showing details of AS-18 related transactions:

Nature of Transaction	Associate Company		Key Management Personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
A. Transactions						
Purchase of Service/Other :						
Odyssey Travel Ltd	792	587	—	—	792	587
Duncan Industries Limited	—	893	—	—	—	893
Remuneration to Key Management Personnel :						
Mr. Amit Mondal	—	—	6,887	5,760	6,887	5,760
Mr. Shrivardhan Goenka	—	—	3,033	2,700	3,033	2,700
B. Balance at the end of the year						
Advance (Dr balance)						
Duncan Industries Limited	283	283	—	—	283	283
Creditors/Payables						
Odyssey Travel Ltd	69	31	—	—	69	31
Sewand Investments Pvt Ltd	10	10	—	—	10	10

Schedule to the Accounts (Contd.)

Notes:

- (a) In respect of above parties, there is no provision for doubtful debts as on 31st March 2010 and no amount has been written off or written back during the year in respect of debts due from/to them.
- (b) The above Related Party information is as identified by the Management and relied upon by the auditors.
- 13) Carrying value of Fixed Assets of the Colour Monitor Unit at Kustia Road being affected due to obsolescence, was considered for impairment as on 1st April, 2004 and Rs. 24100 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.
- 14) In terms of the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Assets, details of provisions for Liquidated Damages and Warranty are as follows:

	Opening Balance as on 01.04.09	Further provision	Provision Adjusted	Closing Balance as on 31.03.10
Provision for liquidated damages	434	—	—	434
Provision for warranty	5,050	1,000	—	6,050
Total	5,484	1,000	—	6,484

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

- 15) Certain plant and machineries and land and building of the company as on 31.12.2001 and 01.01.2007 were revalued by the approved valuers on net replacement cost basis and fair value basis respectively and surplus of Rs. 424,965 arising there from was credited to Revaluation Reserve. Depreciation includes additional charge of Rs.10,052 for the year (Previous year Rs. 10,143) due to revaluation of fixed assets. Accordingly, equivalent amount has been transferred from capital reserve to Profit and Loss Account.
- 16) The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules, 2006, are given below :

Defined Contribution Scheme :

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

Employer's Contribution to Provident Fund- Rs. 2,280

Employer's Contribution to Pension Fund – Rs. 2,435

Employer's Contribution to Superannuation Fund- Rs. 1,911

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 (Funded)			Leave Encashment (Non Funded)		
	31/03/10	31/03/09	31/03/08	31/03/10	31/03/09	31/03/08
1 Current Service Cost	1,364	1,206	1,034	1,662	1,487	1,210
2 Interest Cost	1,407	1,328	1,112	493	575	465
3 Expected return on plan assets	(1,555)	(1,346)	(1,063)	—	—	—
4 Actuarial Losses/(Gains)	(975)	1,565	1,020	943	(630)	76
Total Expenses	241	2,753	2,104	3,098	1,432	1,751

Change in the obligation during the year ended March 31, 2010

Schedule to the Accounts (Contd.)

1	Present value of Defined Benefit						
	Obligation at the beginning of the year	18,733	16,644	13,591	8,108	7,341	5,756
2	Current Service Cost	1,364	1,206	1,034	1,662	1,487	1,210
3	Interest Cost	1,407	1,328	1,112	493	575	465
4	Benefit Paid	(919)	(889)	(54)	(3,415)	(665)	(166)
5	Actuarial (Gains)/Losses	572	444	961	943	(630)	76
	Present value of Defined Benefit						
	Obligation at the end of the year	21,157	18,733	16,644	7,791	8,108	7,341
Change in Assets during the year ended March 31, 2010							
1	Plan Assets at the beginning of the year	16,739	13,403	11,216	—	—	—
2	Contribution by Employer	2,000	4,000	1,238	3,415	665	166
3	Expected return on plan assets	1,555	1,346	1,063	—	—	—
4	Benefit Paid	(919)	(889)	(54)	(3,415)	(665)	(166)
5	Actuarial Gains/(Losses)	1,548	(1,121)	(59)	—	—	—
	Plan assets at the end of the year	20,923	16,739	13,403	—	—	—
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2010							
1	Net Asset/(Liability) at beginning of the year	(1,994)	(3,241)	(2,375)	(8,108)	(7,341)	(5,756)
2	Employer Expenses	(240)	(2,753)	2,104	(3,098)	(1,432)	1,752
3	Employer Contributions/Payment	2,000	4,000	1,238	3,415	665	166
4	Net Asset/(Liability) at the end of the year	(234)	(1,994)	(3,241)	(7,791)	(8,108)	(7,341)
Experience Adjustments :							
1	- On Plan Assets	1,548	(1,121)	(59)	—	—	—
2	- On Plan Liabilities	(891)	296	(961)	(1,069)	968	(76)
Actuarial Assumptions :							
1	Discount Rate	7.90%	7.70%	8.20%	7.90%	7.70%	8.20%
2	Expected Rate of Return on Plan Assets.	9.00%	9.00%	9.00%	—	—	—

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

17) 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.

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

Particulars	As at 31st	As at 31st
	March, 2010	March, 2009
Not later than one year	473	473
Later than one year and not later than 5 years	472	944
Later than 5 years	—	—
	945	1,417
Less: Amount representing future interest	213	385
Present Value of minimum lease rentals	732	1,032

Schedule to the Accounts (Contd.)

- 19) 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.
- 20) The subsidiary was incorporated on 15th October, 2008. The expenses incurred other than those related to formation expenses have been included under capital work-in-progress.
- 21) The Company is in the process of appointing a Whole time Company Secretary as required in terms of Section 383A of Companies Act, 1956.
- 22) All the numerical figures stated hereinabove has been expressed in terms of thousand.

For **LODHA & COMPANY**
Chartered Accountants

H S Jha
Partner

Place: Kolkata
Date: 16th April, 2010

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

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