

NOTICE

NOTICE is hereby given that the **Eighty-Fourth Annual General Meeting** of the Members of Stone India Limited will be held on Friday, the 26th day of September, 2014 at 11.00 A.M. at 'Kalakunj' (Basement) Hall, Kalamandir, 48, Shakespeare Sarani, Kolkata- 700 017 to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 2014 and the Balance Sheet of the Company as at that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shrivardhan Goenka (DIN 00030375), who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Lodha & Co., Chartered Accountants, Auditors of the Company, having Registration No. 301051E allotted by The Institute of Chartered Accountants of India (ICAI), who shall hold office from the conclusion of this 84th Annual General Meeting until the conclusion of 87th Annual General Meeting and to authorize the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

4. To adopt new set of Articles of Association for the Company.

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 read with relevant Rules, the existing Articles of Association of the Company be and is hereby replaced by a new set of Articles of Association of the Company duly incorporating all the clauses in conformity with the provisions of the newly enacted Companies Act, 2013."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the board of directors of the company be and is hereby authorised to take all such steps and actions and give directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard"

5. To approve Borrowing limits of the Company.

To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT in supersession of the resolution passed under Section 293(1)(d) of the Companies Act, 1956 at the Extra-Ordinary General Meeting of the Company held on December 31, 1993 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) for borrowing from time to time, any sum or sums of monies, which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total outstanding amount so borrowed shall not at any time exceed the limit of Rs.75 crore."

"RESOLVED FURTHER THAT the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as it may think fit and to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required."

6. To create charges on the assets of the Company

To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT in supersession of all earlier resolutions passed under Section 293(1)(a) of the Companies Act, 1956 and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this resolution) of such mortgages, charges, liens, pledge and hypothecations as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board/Committee of the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, other bodies corporate (hereinafter referred to as the "Lending Agencies") and Trustees

for the holders of debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an outstanding aggregate value within the overall ceiling prescribed by the members of the Company in terms of Section 180(1)(c) of the Companies Act, 2013 with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements/Loan Agreements/ Debenture Trust Deeds entered/to be entered into by the Company in respect of the said borrowings.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to finalize with the Lending Agencies/Trustees, the documents for creating the aforesaid mortgages, charges, pledge, lien and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to this Resolution.”

7. To appoint Mr. Sukhendu Ray (DIN:00009110) as an Independent Director.

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 149 ,152 read with Schedule IV and all other applicable provisions of the Companies Act,2013 and the rules made there under, Mr. Sukhendu Ray, Director, for whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing the name of Mr. Sukhendu Ray for the Directorship of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to five years from 27th September,2014, not liable to retire by rotation.”

8. To appoint Mr. Indrajit Sen (DIN:00216190) as an Independent Director.

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 149 ,152 read with Schedule IV and all other applicable provisions of the Companies Act,2013 and the rules made there under, Mr. Indrajit Sen, Director, for whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing the name of Mr. Indrajit Sen for the Directorship of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to five years from 27th September,2014, not liable to retire by rotation.”

9. To appoint Mr. Ashwani Kumar Goswami (DIN:02636247) as an Independent Director.

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 149 ,152 read with Schedule IV and all other applicable provisions of the Companies Act,2013 and the rules made there under, Mr. Ashwani Kumar Goswami, Director, for whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing the name of Mr. Ashwani Kumar Goswami for the Directorship of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to five years from 27th September, 2014, not liable to retire by rotation.”

10. To appoint Mr. Aniket Agarwal (DIN:00054252) as an Independent Director.

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 149,152 read with Schedule IV and all other applicable provisions of the Companies Act,2013 and the rules made there under, Mr. Aniket Agarwal, Director, for whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 proposing the name of Mr. Aniket Agarwal for the Directorship of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to five years from 27th September,2014 not liable to retire by rotation”.

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date : 14th August, 2014

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

(Abhijit Majumdar)
Company Secretary and Legal Head

NOTES :

- (1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder. Corporate members intending to send their authorised representative to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

- (2) The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the items included under Special Notice is annexed hereto and forms part of the notice.
- (3) The Register of Members and Share Transfer Books will remain closed from Tuesday, 23rd September, 2014 to Friday, 26th September, 2014 (both days inclusive).
- (4) Pursuant to the provisions of the Companies Act, all unpaid/unclaimed dividends for and upto and including the Company's Financial Year 2005-06 ended on 31st March, 2006 had been transferred to the "Investor Education and Protection Fund".
- (5) As per SEBI regulations a copy of the PAN Card of the transferee(s) should be furnished along with the physical transfer/transmission of shares.
- (6) Pursuant to the provisions of Section 124 of the Companies Act, 2013, dividend which remains unpaid or unclaimed for a period of 7 years is required to be transferred to the "Investor Education and Protection Fund" (IEPF) of the Central Government. Members who have not encashed the dividend warrants for the Financial years 2006-07 & 2007-08 are requested to send their claims to Company's Registrar & Share Transfer Agent, M/s. C. B. Management Services Pvt. Ltd., P-22, Bondel Road, Kolkata-700 019 immediately along with unencashed Dividend Warrants lying with them. It may also be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie in respect thereof.
- (7) Mr. Abhijit Majumdar, Company Secretary and Legal Head is the Compliance Officer in terms of Clause 47 of the Listing Agreements with the Stock Exchanges. Members may communicate with the Compliance Officer at the Registered Office address in relation to any query pertaining to their shareholdings.
- (8) As per the provisions of the Companies Act, the facility for making nominations is available to Members in respect of their Shares in the Company. Nomination forms can be obtained from M/s. C. B. Management Services Pvt. Ltd., Registrars & Share Transfer Agent (R & T Agent) of the Company, in case they hold their Shares in physical form. If they are holding the Shares in dematerialized form, they may contact with their respective Depositories for such nomination.
- (9) Members who hold shares in physical form are requested to inform the R & T Agent, their Income Tax Permanent Account Number (PAN) / General Index Register Number (GIR) if any, allotted to them by the Income Tax Authorities.
- (10) Members holding shares in physical form are requested to notify changes in their addresses, if any, quoting their folio numbers to the R & T Agent of the Company.
- (11) Members holding shares under multiple folios are requested to submit their applications to R & T Agent, for consolidation of folios into single folio.
- (12) The Register of Directors and Key Managerial Personnel and their Shareholding, if any, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the Members at the Annual General Meeting.
- (13) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Reports at the meeting. Members are requested to provide their E-mail address to the Company for quicker dispatch of information and documents.
- (14) Members desiring any relevant information on the annual accounts of the Company are requested to write to the Company well in advance to ensure that such requests reach the Company at least ten (10) days before the Annual General Meeting, so as to enable the Company to keep the information ready.
- (15) In terms of circular being nos. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011 issued by the Ministry of Corporate Affairs, Govt. of India for Green Initiatives in the Corporate Governance, the members desiring to receive notice/ documents etc., from the Company through electronic mode instead of physical copy may register their e-mail address and changes therein from time to time with the Company. A request letter in this regard giving details of e-mail address may be sent at the Registered Office/ RTA address/info@stoneindia.co.in
- (16) At the ensuing Annual General Meeting of the Company, Mr. Shrivardhan Goenka, Director, will retire by rotation and being eligible, offered himself for reappointment.
- (17) Brief profile of the aforesaid Directors are given in the enclosed notice.
- (18) VOTING THROUGH ELECTRONIC MEANS :

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35 B of the Listing Agreement, the company is providing members the facility to exercise their vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Central Depository Services Ltd (CDSL).

A member may exercise his votes at any General Meeting by electronic means and company may pass any resolution by electronic voting system in accordance with the Rule 20 of the Companies (Management and Administration) Rules, 2014. During the e-voting period, members of the company holding shares either in physical form or dematerialized form, as on the cut off date i.e., 22nd August, 2014, may cast their votes electronically.

The e-voting period commences at 10 A.M. on Saturday, the 20th day of September, 2014 and ends at 6 P.M. on Monday, the 22nd September, 2014. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently. A copy of this notice has been placed on the website of the Company and the website of CDSL.

Mr. Atul Kumar Labh, Practicing Company Secretary (FCS 4848/CP3238) and Proprietor of M/s. A.K.Labh & Co., Company Secretaries, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, and forthwith submit to the Chairman. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.stoneindia.co.in and on the website of CDSL within two (2) days of passing of the resolution at the AGM of the Company and communicated to the Stock Exchanges where the Companies shares are listed.

The process and instructions for e-voting are as under :

- (i) Log on to the e-voting website www.evotingindia.com during the voting period
- (ii) Click on "Shareholders" tab.
- (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - d. Next enter the Image Verification Code/Captcha Code as displayed and Click on Login.
 - e. If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company/ entity, then your existing password is to be used. If you are a first time user follow the steps given below.
- (iv) Now, fill up the following details in the appropriate boxes:

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (in Capital) (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the Bank records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the Bank records for the said demat account or folio. # Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

- (v) After entering these details appropriately, click on "SUBMIT" tab.
- (vi) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (viii) Click on the relevant EVSN of Stone India Limited on which you choose to vote.
- (ix) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you have given assent to the Resolution and option NO implies that you have expressed dissent to the Resolution.
- (x) Click on the "Resolutions File Link" if you wish to view the entire resolutions.
- (xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xiv) If Demat account holder has forgotten the changed password then enter the User ID and image verification code / Captcha Code and click on Forgot Password & enter the details as prompted by the system.

- (xv) A. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
- B. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
- C. After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- D. The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- E. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

(xvi) In case of members receiving the physical copy:

- I. Please follow all steps from sl.no. (i) to sl.no. (xv) above to cast vote.
- II. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

19. **Members who do not have any access to e-voting, may requisite a Physical Ballot Form from the Office of the Registrar & Share Transfer Agent of the Company. Members are required to fill the Physical Ballot Form and enclose it in a sealed envelope and send it "TO THE SCRUTINIZER. MR. ATUL KUMAR LABH (UNIT: STONE INDIA LIMITED) C/O. C B MANAGEMENT SERVICES PRIVATE LIMITED, P-22, BONDEL ROAD, KOLKATA - 700019. Unsigned / wrongly signed, incomplete or incorrectly ticked forms shall be rejected. The Scrutinizer's decision on the validity of the form will be final. Members are required to vote either through the electronic system or through physical ballot and not in any other mode. In the event of Members casting votes through both the processes, the votes in the electronic system will be considered only. The Physical Ballot Form must be received by the Scrutinizer on or before 22nd September, 2014 (6:00 P.M.).**

(20) Attendance Slip and Proxy Form in the prescribed format are being attached to this Notice of the 84th Annual General Meeting for the convenience of the shareholders.

Request to the Members:

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

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date : 14th August, 2014

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

**(Abhijit Majumdar)
Company Secretary and Legal Head**

Explanatory Statement Pursuant to Section 102(1) of the Companies Act , 2013

As required by Section 102(1) of the Companies Act, 2013("Act"), the following explanatory statements set out all material facts relating to the business mentioned under items nos. 4 to 10 of the accompanying Notice dated 14th August, 2014.

Item No.4.

The Companies Act,2013 has made drastic changes over the provisions of Companies Act, 1956. It necessitates adoption of a new Articles of Association in place of old one to accommodate required clauses in conformity with the provisions of the new Companies Act, 2013.

The draft copy of the Articles of Association of the Company is available for inspection at the Registered office of the Company at 16, Taratola Road, Kolkata-700088 on any working day during business hours.

None of the Directors/Key Managerial Personnel of the Company/their relatives are in any way, concerned or interested, financially or otherwise, in these resolutions, except as shareholder of the Company. The Board recommends the Special Resolution set out in Item No. 4 of the Notice for approval by the shareholders.

Item Nos. 5 & 6.

At the Extra-ordinary General Meeting of the Company held on December 31, 1993, the Members had, by way of Ordinary Resolution and in pursuance of the provisions of Section 293(1)(d) of the Companies Act, 1956, approved of borrowing monies on behalf of the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves, subject to the total outstanding amount so borrowed not exceeding a sum of Rs. 25 crores at any point of time. Now, under Section 180 of the Companies Act, 2013, the above powers of the Board are required to be exercised only with the consent of the company by a Special Resolution.

Subsequently, the Ministry of Corporate Affairs ("MCA") has vide its General Circular No 4/2014 dated March 25, 2014 clarified that the resolution passed under section 293 of the Companies Act, 1956 prior to 12.09.2013 with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of section 180 of the Act.

It is, therefore, proposed to obtain the consent of the shareholders, by way of a Special Resolution, to enable the Company to borrow funds up to Rs. 75 Crores and creation of a mortgage, pledge, lien, hypothecation or charge for the said borrowing in view of increase in the volume of activities of the Company.

None of the Directors/Key Managerial Personnel of the Company/their relatives are in any way, concerned or interested, financially or otherwise, in these resolutions, except as shareholder of the Company. The Board recommends the Special Resolutions set out in Item No. 5 & 6 of the Notice for approval by the shareholders.

Item No. 7.

Mr. Sukhendu Ray is a Non-Executive (Independent) Director (DIN: 00009110) of the Company. He joined the Board of Directors in May, 1991. As per Section 149, 152 and any other applicable provisions of the Companies Act, 2013 and as per Clause 49 of Listing Agreement (Revised), Mr. Sukhendu Ray is to be re-appointed as an Independent Director for a term of five years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from M/s ISG Traders Limited, a member, along with a deposit of Rs. 100000/- proposing his candidature for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Sukhendu Ray (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014 and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-Section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-Section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Sukhendu Ray as an Independent Director of the Company up to Five years from 27-09-2014 pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Sukhendu Ray, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter for the appointment of Mr. Sukhendu Ray as an Independent Director setting out the terms and conditions is available for inspection without any fees by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

The Board recommends the resolution set forth in Item No.7 for the approval of the members. Mr. Sukhendu Ray is interested in the resolutions set out respectively in item No 7 of the Notice with regard to his appointment. The relatives of Mr. Sukhendu Ray may be deemed to be interested in the resolution set out in item no 7 of the Notice to the extent of their shareholding interest, if any, in the Company. A brief profile of Mr. Sukhendu Ray is given below for perusal of the members.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/ their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out in item No. 7.

Item No. 8.

Mr. Indrajit Sen is a Non-Executive (Independent) Director (DIN: 00216190) of the Company. He joined the Board of Directors in May, 1991. As per Section 149, 152 and any other applicable provisions of the Companies Act, 2013 and as per Clause 49 of Listing Agreement (Revised), Mr. Indrajit Sen is to be re-appointed as an Independent Director for a term of five years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from M/s ISG Traders Limited, a member, along with a deposit of Rs. 100000/- proposing his candidature for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Indrajit Sen (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-Section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-Section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Indrajit Sen as an Independent Director of the Company up to Five years from 27-09-2014 pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Indrajit Sen, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter for the appointment of Mr. Indrajit Sen as an Independent Director setting out the terms and conditions is available for inspection without any fees by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

The Board recommends the resolution set forth in Item No.8 for the approval of the members. Mr. Indrajit Sen is interested in the resolutions set out respectively in item No 8 of the Notice with regard to his appointment. The relatives of Mr. Indrajit Sen may be deemed to be interested in the resolution set out in item no 8 of the Notice to the extent of their shareholding interest, if any, in the Company. A brief profile of Mr. Indrajit Sen is given below for perusal of the members.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/ their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out in item No 8.

Item No. 9.

Mr. Ashwani Kumar Goswami is a Non-Executive (Independent) Director (DIN: 02636247) of the Company. He joined the Board of Directors in June, 2009. As per Section 149, 152 and any other applicable provisions of the Companies Act, 2013 and as per Clause 49 of Listing Agreement (Revised), Mr. Ashwani Kumar Goswami is to be re-appointed as an Independent Director for a term of five years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from M/s ISG Traders Limited, a member, along with a deposit of Rs. 100000/- proposing his candidature for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Ashwani Kumar Goswami (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules 2014 to the effect that he is not disqualified under sub-Section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub- Section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Ashwani Kumar Goswami as an Independent Director of the Company up to Five years from 27-09-2014 pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Ashwani Kumar Goswami, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter for the appointment of Mr. Ashwani Kumar Goswami as an Independent Director setting out the terms and conditions is available for inspection without any fees by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

The Board recommends the resolution set forth in Item No.9 for the approval of the members. Mr. Ashwani Kumar Goswami is interested in the resolutions set out respectively in item No 9 of the Notice with regard to his appointment. The relatives of Mr. Ashwani Kumar Goswami may be deemed to be interested in the resolution set out in item no 9 of the Notice to the extent of their shareholding interest, if any, in the Company. A brief profile of Mr. Ashwani Kumar Goswami is given below for perusal of the members.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out in item No 9.

Item No.10.

Mr. Aniket Agarwal is a Non-Executive (Independent) Director (DIN: 00054252) of the Company. He joined the Board of Directors in October, 2003. As per Section 149, 152 and any other applicable provisions of the Companies Act, 2013 and as per Clause 49 of Listing Agreement (Revised), Mr. Aniket Agarwal is to be re-appointed as an Independent Director for a term of five years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from M/s ISG Traders Limited, a member, along with a deposit of Rs. 100000/- proposing his candidature for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Aniket Agarwal (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules 2014 to the effect that he is not disqualified under sub-Section (2) of Section 164 of the Companies Act, 2013 and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub- Section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Aniket Agarwal as an Independent Director of the Company up to Five years from 27-09-2014 pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Aniket Agarwal, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made there under and he is independent of the Management. A copy of the draft letter for the appointment of Mr. Aniket Agarwal as an Independent Director setting out the terms and conditions is available for inspection without any fees by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

The Board recommends the resolution set forth in Item No.10 for the approval of the members. Mr. Aniket Agarwal is interested in the resolutions set out respectively in item No 10 of the Notice with regard to his appointment. The relatives of Mr. Aniket Agarwal may be deemed to be interested in the resolution set out in item no 10 of the Notice to the extent of their shareholding interest, if any, in the Company. A brief profile of Mr. Aniket Agarwal is given below for perusal of the members.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out in item No 10.

Registered Office :

16, Taratalla Road
Kolkata 700 088

Date : 14th August, 2014

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

**(Abhijit Majumdar)
Company Secretary and Legal Head**

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

Name of the Director	Mr. Shrivardhan Goenka	Mr. Sukhendu Ray	Mr. Indrajit Sen	Mr. Ashwani Kumar Goswami	Mr. Aniket Agarwal
Age	39 Years	91 years	74 Years	71 Years	45 Years
Qualifications	B.Com., MBA from Kellogg School of Management, Northwestern University, USA.	B. Sc., F.C.A. (England & Wales)	B.E. (Mech)	Mechanical Engineer, Indian Administrative Service (IAS)	LL.B.,
Nature of expertise	General Management, Finance and Marketing	Mr. Ray retired as Managing Director & CEO of Guest Keen Williams Ltd. He has extensive experience in Corporate and Industrial management.	More than 50 years experience in Engineering, Industrial & Corporate Management.	Mr. Ashwani Kumar Goswami is a retired Government official of the Indian Administrative Service (IAS). He is also a qualified Mechanical Engineer who has had a brilliant academic record. He had a long and distinguished career, his last post before retirement was as Secretary to the Government of India. Earlier, he had attained the top most position of Chief Secretary in the State of Himachal Pradesh. He had held various other important positions in the State and Central Government such as Chairman, Electricity Board, Director of Industries etc.	Commercial & Corporate Laws
Date of First Appointment	25th November, 1997.	7th May, 1991.	7th May, 1991.	30th June, 2009	31st October, 2003
Name of the other companies in which he holds Directorship of Board	Duncans Industries Ltd. Duncans Tea Ltd ISG Traders Ltd Odyssey Travels Ltd Star Paper Mills Ltd	International Combustion (India) Ltd.	International Combustion (India) Limited Mozer Process Technology Private Limited	Jai Prakash Power Ventures Limited JP Sports Int. Limited	Kothari Phytochemicals Industries Limited The Oudh Sugar Mills Limited
Name of the other companies/associations in which he holds Membership of Committees of the Board/Governing Body	Indian Chamber of Commerce Federation of Indian Chamber of Commerce & Industry	International Combustion (India) Ltd. - Audit Committee, Chairman - Shareholder'/ Investors' Grievance Committee	International Combustion (India) Ltd. - Shareholder'/ Investors' Grievance Committee - Audit Committee	Jai Prakash Power Ventures Limited - Finance Committee, Chairman - Audit Committee, Member JP Sports Int. Ltd. - Audit Committee, Chairman	Nil
Professional Membership	Nil	Nil	Nil	Nil	Incorporated Law Society, High Court, Calcutta
No. of shares held in the Company	1,35,500	Nil	Nil	Nil	Nil

STONE INDIA LIMITED

Registered Office: 16 Taratala Road, Kolkata - 700088
CIN: L35201WB1931PLC006996 Web Site: www.stoneindia.co.in Tel: 91 33 2401 4661

PROXY FORM - MGT - 11

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3)
of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s)			
Registered Address			
E-mail I.D.			
Folio No./Client I.D.		DP I.D.	

I / We, being the member(s)/holder(s) of _____ shares of the above mentioned company, hereby appoint

- Name:
Address:
E-mail Id:
Signature:, or failing him/her
- Name:
Address:
E-mail Id:
Signature:, or failing him/her
- Name:
Address:
E-mail Id:
Signature:

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the EightyFourth Annual General Meeting of the Company to be held on the 26th day of September, 2014 at 11.00 A.M. at "Kalakunj" (Basement) Hall, Kalamandir, 48, Shakespeare Sarani, Kolkata-700 017 of the Company and at any adjournment thereof, in respect of such resolutions as are indicated below:-

- To receive, consider and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 2014 and the Balance Sheet of the Company as at that date together with the reports of the Directors and Auditors thereon.
- To appoint a Director in place of Mr. Srivardhan Goenka (DIN 00030375), who retires by rotation and being eligible, offers himself for re-appointment.
- To re-appoint M/s. Lodha & Co., Chartered Accountants, Auditors of the Company, having Registration No. 301051E allotted by The Institute of Chartered Accountants of India (ICAI), who shall hold office from the conclusion of this 84th Annual General Meeting until the conclusion of 87th Annual General Meeting and to authorize the Board of Directors of the Company to fix their remuneration.
- To adopt new set of Articles of Association for the Company.
- To approve Borrowing limits of the Company.
- To create charges on the assets of the Company.
- To appoint Mr. Sukhendu Ray (DIN:00009110) as an Independent Director.
- To appoint Mr. Indrajit Sen (DIN:00216190) as an Independent Director.
- To appoint Mr. Ashwani kumar Goswami (DIN:02636247) as an Independent Director.
- To appoint Mr. Aniket Agarwal (DIN:00054252) as an Independent Director.

Signed this day of, 2014

Affix
Revenue
Stamp

Signature of Shareholder (s)

Signature of Proxy Holder (s)

Note: This form of proxy in order to be effective should be duly completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

STONE INDIA LIMITED

Registered Office: 16 Taratala Road, Kolkata - 700088
CIN: L35201WB1931PLC006996 Web Site: www.stoneindia.co.in Tel: 91 33 2401 4661

ATTENDANCE SLIP

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

I/We hereby record my/our presence at the Eighty-fourth Annual General Meeting of the Company held at "Kalakunj" (Basement) Hall, Kalamindir, 48, Shakespeare Sarani, Kolkata 700 017 on Friday, 26th September, 2014, at 11.00 A.M.

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

Folio No. :

D. P. Id :

No. of Shares held :

Client Id :

Signature of the Member(s)/Proxy

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

CONTENTS

	Page No.
Board of Directors	2
Report of the Directors	3 - 27
Ten Years at a Glance	28
Independent Auditors' Report	29 - 31
Accounts	32 - 53
Consolidated Financial Statements	54 -74

BOARD OF DIRECTORS

Chairman

G. P. Goenka

Managing Director & CEO

A. Mondal

Directors

S. Ray

I. Sen

A. Agarwal

A. K. Goswami

Shrivardhan Goenka

BOARD COMMITTEES

Audit Committee

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

Stakeholders' Relationship Committee (Formerly known as Shareholders'/Investors' Grievance Committee)

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

Remuneration Committee

I. Sen	Chairman
G. P. Goenka	Member
S. Ray	Member
A. Agarwal	Member

Share Allotment Committee

S. Ray	Chairman
I. Sen	Member
A. K. Goswami	Member

CORPORATE MANAGEMENT COMMITTEE

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

**Company Secretary,
Compliance Officer
and Legal Head**
Abhijit Majumdar

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

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

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

Registrar & Share Transfer Agent

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

Registered Office

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

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting their 84th Annual Report on the business and operations of your Company for the financial year ended on 31st March, 2014.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	For the Financial Year 2013-14	For the Financial Year 2012-13
Gross Turnover	11,159.66	10,729.58
Profit before Interest, Depreciation & Taxation	397.82	355.22
Interest	506.69	520.58
Depreciation	267.99	276.31
Profit before Taxation	(376.86)	(441.68)
Provision for Taxation – Deferred Tax	(127.14)	(137.63)
Profit after Taxation	(249.72)	(304.05)
Balance brought forward from previous year	1,325.27	1,629.32
Profit available for appropriation	1,075.55	1,325.27
APPROPRIATIONS:		
Balance carried to the Balance Sheet	1,075.55	1,325.27

Previous years figures have been rearranged and regrouped wherever necessary.

OPERATIONS

The economy continues to be in tailspin with a second successive year of sub- 5% growth during 2013-14. Persistent inflation, high Fiscal, Trade and Current Account deficits have severely curbed the growth potential. The cutback in investments and piling up of stalled projects also contributed to the dismal performance. Consequently, there is de-growth of 0.7% in the manufacturing sector. The weak Indian economy adversely impinged on the activities of your Company and the persisting cash crunch of the Indian Railways was a further detrimental factor.

Even under these circumstances, the performance of the Company for the year under review improved slightly over the previous year. With an increase in turnover by Rs.430.08 lakhs, the post tax loss reduced by Rs.54.33 lakhs. However, the slow rate of improvement is due to high costs which could not be recovered through pricing action in the context of the current competitive climate plus enhanced provisions for bad debts and inventories.

In an attempt of product diversification, your Company has signed an agreement with Shenyang Brilliant Elevator Company Limited, China to enter into Escalator & Elevator business in India in targeted markets viz. Metros and government projects. Your Company, in consortium with NRT Co. Limited, South Korea, has already bagged an order

valuing Rs.83 Crores for fitment of Platform Screen Door in 6 stations in line 2 from Delhi Metro Rail Corporation Limited.

DIVIDEND

Considering the present financial condition of the Company and the Capital investment to be made for the expansion programme in near future your Directors do not recommend a dividend for the year ended on 31st March, 2014.

ENERGY CONSERVATION

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

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company earned Rs.222.53 lacs foreign exchange during 2013-14 as against Rs.259.83lacs during 2012-13. Foreign exchange outgo during the year amounted to Rs.254.41 lacs (including import of components and spare parts) against Rs.301.98 lacs during the previous year.

PERSONNEL

Industrial Relations with employees at various levels remained harmonious and cordial. Your Company as a part

DIRECTORS' REPORT (Contd.)

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.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Shrivardhan Goenka retire by rotation and being eligible, offers himself for re-appointment. Further, in terms of the provisions Section 149 of the Companies Act, 2013 read with the General Circular No. 14/2014 issued by the Ministry of Corporate Affairs on 9th June, 2014, your Company needs to appoint the existing Independent Directors under the said Act. Accordingly, the resolutions regarding appointment of Mr. Sukhendu Ray, Mr. Indrajit Sen, Mr. Ashwani Kumar Goswami and Mr. Aniket Agarwal as Independent Directors are included in the notice convening the Annual General Meeting.

All the Directors have filed requisite forms and declarations as required under the Companies (Appointment and Qualification of Directors) Rules, 2014 read with Section 164 of the Companies Act, 2013. The brief resume/details relating to Directors who are to be appointed/re-appointed are furnished in the Notice of the ensuing Annual General Meeting.

E-VOTING

In terms of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 and SEBI's Circular No. CIR/CFD/POLICY CELL/2/2014 dated 17/04/2014, voting through electronic means has become mandatory for your Company. Accordingly, the Company has made necessary arrangement with Central Depository Services Limited by which the shareholders will be entitled to exercise his/her right to vote by electronic means. A detailed instruction in this connection is being dispatched to the shareholders separately.

RESEARCH & DEVELOPMENT (R&D) ACTIVITIES

The Company remains strongly focused on development of products and enhancing quality standards. Innovative creative ideas in hi-tech engineering areas continue to be key objectives of the Company.

R&D has designed and developed Solar Micro Inverter for application in Solar Power System which is expected to be launched commercially in the later half of the year.

The R&D centre of your company is recognized by the Ministry of Science & Technology as an approved R&D Centre and entitled for certain direct & indirect Tax benefits.

RAILRUNNER PROJECT

Stone India, through its subsidiary, signed a collaboration

agreement in the year 2009 with RailRunner Inc., USA, to design, manufacture and operate a rail-cum-road bi-modal door-to-door cargo transport system in India. This unique, innovative solution is first of its kind in India. This patented container carrying bi-modal seamless transportation system is designed to ship the entire container-chassis between rail and road with no intermediate handling. This technology offers the efficiency of rail and flexibility of road in one package and will eliminate major capital investment in expensive cranes or large terminal facilities and also aids just-in-time door-to-door delivery to customers. Currently, the project is under prototype construction, on completion of which trial trains will start operating.

BIO TOILET

Another major initiative taken by your Company is to revolutionize hygiene and sanitation in the country, which is the crying need of the hour, as India loses more than 6% of its GDP due to spread of diseases from Open Defecation. Your Company has designed and developed Biological Toilets which convert human waste into non toxic non contaminating water through multi strain aerobic bacteria culture in a multi chamber bio digester tank. The path breaking technology has been supported and validated by the Ministry of Science and Technology.

OTHER INFORMATION

In accordance with the provisions of Section 217 of the Companies Act, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexure to the Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors Report is being sent to the shareholders of the Company excluding such particulars of employees under section 217(2A) of the Act. The Annexure is available for inspection by the Members at the Registered Office of the Company during business hours on any working day upto the date of the ensuing Annual General Meeting. Any member interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

Form No. B pursuant to Section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 so far as is applicable to the Company is annexed and forms a part of this Report.

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;

DIRECTORS' REPORT (Contd.)

- (ii) the Directors have 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 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, except defalcation of Company's funds, as stated in Note 17(b) of the Accounts, which are under investigation and recovery;
- (iv) the Directors have prepared the Annual Accounts on a going concern basis; and
- (v) the Managing Director & CEO and the Sr. Vice President & CFO, both have furnished the necessary certification to the Board on these financial statements as required under the Clause 49 of the Listing Agreement(s) with the Stock Exchanges where the equity shares of the Company are listed.

DEMATERIALIZATION OF SHARES

Your Company's shares are under transfer-cum-demat option. Shares of your Company can be traded only in dematerialized form. Shareholders have the option to hold the Company's shares in dematerialized form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL). 93.28% of the total equity share capital of your Company was held in dematerialized form with NSDL and CDSL as on 31st March, 2014.

During the year, your Company has issued on preferential basis 20,00,000 warrants with a right to convert the warrants into equity shares to ISG Traders Limited, a promoter group Company, at a premium of Rs. 7.50 per warrant on 17.10.2013. Out of the above, 575000 warrants have been converted into equity shares on 31-03-2014.

CORPORATE GOVERNANCE

Your Company has always practiced sound Corporate Governance and takes necessary measures to comply with the requirements of the Listing Agreements with the Stock Exchanges with which your Company's shares are listed. A separate report, as per clause 49 of the Listing Agreement, on Corporate Governance adopted by the Company forms part of this report.

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT.

Management Discussion & Analysis Report, as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges, for the year under review is presented in a separate section forming part of this Report.

CODE OF CONDUCT

Your Company has formulated Code of Conduct in compliance with the requirements of the revised Clause 49 of the Listing Agreements with Stock Exchanges which has been posted in the Website of your Company. This Code of Conduct and Ethics applies to the Board members and Senior Management personnel of your Company. Confirmation towards adherence to the Code during the Financial Year 2013-14 has been obtained from all Board Members and Senior Management personnel in terms of the requirements of Clause 49 of the Listing Agreement and a declaration relating to compliance to this Code during the year under review by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

AUDITORS

Messrs Lodha & Co, Chartered Accountants, retire as Statutory Auditors of the Company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Audit Committee of the Board of Directors and the Board of Directors of the Company have recommended the re-appointment of Messrs Lodha & Co., Chartered Accountants, having Registration no. 301051E allotted by The Institute of Chartered Accountants of India as Statutory Auditors of your Company to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of 87th Annual General Meeting thereafter. Messrs Lodha & Co. confirmed their eligibility and willingness to act as Auditors of the Company, if re-appointed.

AUDITORS' REPORT

The observations of the Auditors have been explained in the Notes forming part of the Financial Statements and these interalia include the following:-

Para (a) regarding rental demands from Kolkata Port trust, the matter is sub-judice and pending decision of Hon'ble Calcutta High Court, provision made in account has been considered adequate by the management as mentioned in note 6A (b); Para (b) as regard managerial remuneration, necessary application is pending for approval before MCA as explained in Note 23(a & b); Para (c) regarding stocks lying at different locations under reconciliation with confirmation / physical balances there against, and pending this, provision of Rs.250 lacs has been made which is considered adequate as mentioned in Note 14(c); Para (d) regarding advance/ investment made in a subsidiary in respect of Rail Runner

DIRECTORS' REPORT (Contd.)

project undertaken by it, necessary implementation including obtaining approval etc. are under progress, this being infrastructure project having long gestation period the exposure has been considered good as mentioned in Note 13(b); Para (e) regarding confirmation and reconciliation of various debit and credit balances, steps are being taken to obtain these and reconcile the same to carry out the adjustment, if any, required on a continuous basis; Para (f) regarding Micro, Small and Medium Enterprise related information, details has been sought from the parties and the same is being complied; Para (g) regarding defalcation of Company's fund as stated in Note 17(b) of the Notes on Accounts, necessary administrative steps including suspension of an employee, so far identified, have been taken and further course of action for recovering the amount are in process.

PUBLIC DEPOSIT

Your Company has not accepted any Public Deposit.

SUBSIDIARY COMPANIES

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

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

In compliance with the requirements of the aforesaid Circular, a Statement showing relevant details of the Subsidiary Companies for the year ended 31st March, 2014 has been included in the Consolidated Financial Statements of the Company which forms part of this Annual Report.

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

Date : 14th August, 2014
Place : Kolkata

SOCIAL RESPONSIBILITY

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

FORWARD-LOOKING STATEMENTS

This Annual Report and particularly those which relate to the Management Discussion and Analysis Reports contain statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements". From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "anticipate", "believe", "emerge", "estimate", "enjoy", "eventually", "expect", "guidance", "intend", "near future", "plans", "prospects", "project", "strategy", "target", "will", "would" and other words of similar meaning as they may relate to the Company and/or its business in connection with a discussion of future operating or financial performance. All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. The growth of the industry and business of the Company depend upon Government policies, global economic scenario etc., and any adverse/ favorable situation may change the outlook. Readers are therefore cautioned that such statements speak only of the situation as of date and hence actual performances or achievements could differ from those expressed or implied in such forward-looking statements. Your Company undertakes no responsibility to publicly or otherwise update or revise any such forward-looking statement at any time.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

G. P. GOENKA
Chairman

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

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

1. Specific area in which R&D carried out by the Company	Products for application on Railway Rolling Stock
2. Benefits derived as a result of the above R&D	Import substitution, development of new products, improvement of existing products and cost reduction.
3. Future plan of action	Railway Items : Development of - <ol style="list-style-type: none"> 1. Bogie Mounted Brake System for wagons 2. Tread Brake unit for High Horse power Electric Locomotive 3. Disc Brake systems for high speed coaches. 4. Static Converter of 180 KVA capacity for AC Locomotives 5. End of Train Telemetry System 6. Intelli Pantograph for dedicated freight corridor. 7. Air operated Pantograph for dedicated Freight Corridor. 8. Air operated Pantograph for High Speed Passenger Trains. 9. WSP for Coaches and Locomotives 10. Fault Diagnostic control System for Electric Locomotive 11. Electronic Brake System for Diesel & Electric Locomotives 12. Biological Toilets for Coaches 13. Automatic Engine Start-stop System with ILI (Intelligent Low Idling). 14. Automatic Engine Start Stop System with Auxiliary Power Unit (AESS with APU). 15. LED Destination Board for Buses. 16. Electro Pneumatic (EP) Brake system for EMUs & DMUs 17. Platform Screen Doors for Metro Stations.
4. Expenditure on R & D	
(a) Capital	Rs. 6.90 Lacs
(b) Recurring	Rs. 111.34 Lacs
(c) Total	Rs. 118.24 Lacs
(d) Total R&D Expenditure as a percentage of total turnover	1.14%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	The Company makes continuous efforts for – <ol style="list-style-type: none"> (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 manner with cost benefits to minimise the imported content of raw materials in finished products; (iii) upgradation of existing technology and/or importation of new technology through various foreign collaborations.
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Report of the Directors (Continued)
ANNEXURE TO THE REPORT OF THE DIRECTORS

FORM 'B' (Continued)

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

2. Benefits derived as a result of the above efforts e.g. products improvement, cost reduction, product development, import substitution, etc.
- Benefits derived as a result of the above efforts are–
- (i) minimisation of import will result in cost reduction and thus save foreign exchange;
 - (ii) meeting customers' requirements and achieving customers' satisfaction and hence resulting in continuous flow of orders.
 - (iii) continuous improvement of existing technology and/or induction of fresh technology; and
 - (iv) New product development and Improvement of existing products.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial year), following information may be furnished :
- (a) Technology imported
- Technologies imported during the last 8 years from the Financial Year 2005-06 are as follows :
- (i) For manufacturing of "Vaporid Air Dryers" as per technology obtained from WABTEC Corporation U.S.A. (valid upto March, 2015).
 - (ii) For manufacturing of "REL-10 Valve" as per technology obtained from MZT Hepos AD, Macedonia.
 - (iii) For manufacturing of "Air Spring" as per technology obtained from Sumitomo Electric Industries Limited, Japan.
 - (iv) For manufacturing of "Tread Brake Unit" as per technology obtained from MZT Hepos AD, Macedonia.
- (b) Year of Import
- (i) 2005-06, (ii) 2007-08, (iii) 2008-09, (iv) 2008-09
- (c) Has technology been fully absorbed
- (i) & (ii) – Yes (iii) & (iv) In progress
- (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

Date : 14th August, 2014
Place : Kolkata

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

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 as at 31st March, 2014

1. Name of the Company	STONE INTERMODAL PRIVATE LIMITED	STONE BIO-TECH PRIVATE LIMITED		
2. Financial Year ended on	31st March, 2014	31st March, 2014		
3. Holding Company's Interest amounting	Out of the total subscribed capital of Rs. 1,00,000/- consisting of 10,000 Equity Shares of Rs. 10/- each, the entire 10,000 Equity Shares of Rs. 10/- each of the total nominal value of Rs. 1,00,000/- are held by the Company.	Out of the total subscribed capital of Rs. 38,00,000/- consisting of 3,80,000 Equity Shares of Rs. 10/- each, 2,10,000 Equity Shares of Rs. 10/- each, to Rs. 21,00,000/- are held by the Company.		
	For the year ended 31st March 2014 Rs.	For the year ended 31st March 2013 Rs.	For the year ended 31st March 2014 Rs.	For the year ended 31st March 2013 Rs.
4 The net aggregate amount of Subsidiary's Profit/(Loss) not dealt with in the Company's Account	NIL	NIL	NIL	NIL
5 The net aggregate amount of Subsidiary's Profit/(Loss) dealt with in the Company's Account	NIL	NIL	NIL	NIL
6 Material changes between the end of the Financial Year of the Subsidiary Company and as at 31st March, 2013				
(a) Fixed Assets	NIL	NIL	NIL	NIL
(b) Investments	NIL	NIL	NIL	NIL
© Money lent by the Subsidiary	NIL	NIL	NIL	NIL
(d) Moneys borrowed by the Subsidiary Company other than for meeting current liabilities	NIL	NIL	NIL	NIL

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

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

Place: Kolkata
Date : 30th May, 2014

**STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES IN TERMS OF THE
CIRCULAR NO. 2/2011 DATED 8TH FEBRUARY, 2011 ISSUED BY THE
MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA**

(Amount in Rs.)

Serial No.	Particulars	Stone Intermodal Private Limited		Stone Bio-Tech Private Limited	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
1	Capital Authorised Issued & Subscribed	100,000,000 100,000	100,000,000 100,000	10,000,000 3,800,000	10,000,000 3,000,000
2	Reserves	—	—	(10,490,840)	(115,56,470)
3	Total Assets	148,782,442	138,966,700	8,123,820	9,739,832
4	Total Liabilities	148,729,072	138,866,700	14,814,660	17,496,301
5	Details of Investment (except Investment in Subsidiary)	—	—	—	—
6	Turnover	—	—	11,819,963	10,240,136
7	Profit/(Loss) before Taxation	—	—	1,065,630	(3,029,653)
8	Provision for Taxation	—	—	—	—
9	Profit/(Loss) after Taxation	—	—	1,065,630	(3,029,653)
10	Proposed Dividend	—	—	—	—

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

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

Place: Kolkata
Date : 30th May, 2014

Report of Corporate Governance

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

THE COMPANY'S GOVERNANCE PHILOSOPHY

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

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

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

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

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

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

and responsibility so as to fulfill the objectives of the Company.

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

THE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

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

Composition of the Board

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

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

The following is the composition of the Board as on 31st March, 2014:

Category	No. of Directors	Percentage of total no. of Directors
Non-Executive Directors & Promoter *	2	28.57%
Non-Executive Independent Directors	4	57.14%
Executive Directors*	1	14.29%
Total	7	100.00%

* The status of Mr. Shrivardhan Goenka has changed from Executive Director to Non-Executive Promoter Director from 13.08.2013.

Report of Corporate Governance (Contd.)

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

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

The names of the Board members, their attendance at Board meetings and General Body meetings held during the financial year under review and the number of other Directorships and Board Committee memberships held by them at March 31, 2014 are given below:

Name of the Board Member	Category ¹	Board Meetings attended out of 6 Meetings held during the year	Attendance at the last AGM held on 25th September, 2013	Number of other Directorships ²	Number of other Committee Memberships ³
G. P. Goenka	C & NED & P	5	Present	5	-
S. Ray	NED & ID	5	Present	2	3 (2)
I. Sen	NED & ID	6	Absent	1	1
Shrivardhan Goenka	NED & P	5	Present	8	-
A. K. Goswami	NED & ID	3	Absent	2	2(2)
A. Agarwal	NED & ID	-	Absent	2	-
A. Mondal	MD	6	Present	5	-

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

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

3 Figures in brackets indicate other Committee Chairmanships.

Details of Board Meetings held during the financial year

During the Financial Year 2013-14, 6 (six) Board Meetings were held on 27th May, 2013, 14th August, 2013, 28th August, 2013, 25th September, 2013, 14th November, 2013 and 14th February, 2014 respectively.

COMMITTEES OF THE BOARD

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

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

I. Audit Committee

The Audit Committee provides general direction and oversees the audit and risk management function in the Company. It

carries out periodic review of accounting policies and internal control systems, reviews the quality of internal and management audit reports, ensures the reliability of financial and other management information and adequacy of disclosures; it also acts as an interface between the statutory and internal auditors and the Board of Directors.

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

The terms of reference of Audit Committee include the following:

- Overseeing Company's financial reporting process and the disclosure of its financial information.
- Recommending appointment or removal of the external auditors, fixing of audit fees and approving payments for any services.
- Reviewing with the management the quarterly and annual financial statements with primary focus on:
 - a) Matters to be included in the Directors' Responsibility Statement comprised in the Board Report in terms of the Companies Act.

Report of Corporate Governance (Contd.)

- b) Accounting Policies and Practices.
 - c) Compliances with Accounting Standards.
 - d) Accounting- based on exercise of judgment by Management.
 - e) Qualifications in the Draft Audit Report.
 - f) Compliance with listing and other legal requirements concerning Financial Statements.
 - g) Significant adjustments arising out of audit.
 - h) Reviewing utilization of Funds raised through issue of Warrants/Shares/Debentures.
 - i) The going concern assumptions.
 - j) Related party transactions.
 - k) Other matters as specified for Audit Committee in Section 292A of the Companies Act, 1956.
- Reviewing with the management, external and internal auditors the adequacy and compliance of internal control systems:
 - Reviewing company's financial and risk management policies.
 - Reviewing the internal audit function and reports and major findings of the Internal Auditors and follow up action.
 - Pre-audit and post-audit discussion with the Statutory Auditors to ascertain any area of concern.

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

The Company Secretary acts as Secretary to the Committee.

During the Financial Year ended 31st March, 2014, four meetings were held. The dates of such meetings, composition and the attendance of the members are furnished below:-

Serial No.	Date of Committee Meeting	Attendance record of the Members		
		S. Ray	I. Sen	A. K. Goswami
1.	27th May, 2013	Attended	Attended	Attended
2.	14th August, 2013	Attended	Attended	Absent
3.	11th November, 2013	Attended	Attended	Attended
4.	14th February, 2014	Absent	Attended	Attended
Number of meetings held during the Financial Year ended 31st March, 2014		4	4	4
Number of meetings attended by the member		3	4	3

II. Remuneration Committee

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

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

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

The Committee approves:

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

During the Financial Year ended 31st March, 2014, no meeting of remuneration committee was held.

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

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

Financial Year ended 31st March, 2014 is as under:

(Rs. in Lacs)

Director	Salary	Perquisites	Total
A Mondal Managing Director & CEO	92.52	2.66	95.18
Shrivardhan Goenka Whole time Director (Till 13th August, 2013)	14.10	-	14.10

(There were no stock options during the Financial Year ended on 31st March, 2014)

Report of Corporate Governance (Contd.)

B. Details of sitting fees paid during the year 2013-14 to the existing Non-Executive Directors as on 31st March, 2014 are given below:

Directors	Sitting Fees (Rs.)		
	Board Meetings	Committee Meetings	Total
G.P. Goenka	25,000/-	-	25,000/-
S. Ray	25,000/-	70,000/-	95,000/-
I. Sen	30,000/-	30,000/-	60,000/-
Shrivardhan. Goenka	20,000/-	-	20,000/-
A.K.Goswami	15,000/-	15,000/-	30,000/-
A. Agarwal	-	-	-

III. Allotment Committee

The Allotment Committee comprises of four Non-Executive and Independent Directors. The members are Mr. S. Ray, Chairman of the Committee with Mr. I. Sen and Mr. A. K. Goswami as Members.

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

- (1) To issue and allot warrants to the proposed allottee(ies) upon receipt of 25% of consideration money.
- (2) To issue and allot equity shares to the proposed allottee(ies) upon exercise of their conversion right and on receipt of the balance consideration money.

- (3) To issue the aforesaid securities in DEMAT mode.
- (4) To take all necessary actions for taking in principle approval from the Stock Exchanges.
- (5) To take all actions and do all such acts, deeds, matters and things as the Committee may, in its absolute discretion, deem necessary, desirable or expedient for the issue or allotment of aforesaid Securities and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of the Securities, and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Committee, in its absolute discretion, may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Committee to seek any further consent or approval of the Board and Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto.
- (6) To make on its own accord or to accept such amendments, modifications, variations and alterations as any Statutory or Governmental authorities/ Institutions may stipulate or otherwise required in respect of such warrants.

The Company Secretary acts as Secretary to the Committee.

During the Financial Year ended 31st March, 2014, three meetings were held. The dates of such meetings, composition and the attendance of the members are furnished below:-

Serial No.	Date of Committee Meeting	Attendance record of the Members		
		S. Ray	I. Sen	A. K. Goswami
1.	17th October, 2013	Attended	Attended	Absent
2.	31st March, 2014	Attended	Attended	Absent
Number of meetings held during the Financial Year ended 31st March, 2014		2	2	2
Number of meetings attended by the member		2	2	Nil

IV. Shareholders' / Investors' Grievance Committee

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

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

Name and designation of Compliance Officer : Mr. Abhijit Majumdar, Company Secretary and Legal Head.

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

The Committee

- (i) approves and monitors transfers, transmission,

re-materialization, sub-division and consolidation of securities in physical form and issue of new and duplicate Share Certificates by your Company, and

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

No. of Shareholders complaints received during the Financial Year 2013-14	Nil
No. of complaints resolved to the satisfaction of Shareholders as on 31st March, 2014	Nil
No. of pending share transfers as on 31st March, 2014	Nil

Report of Corporate Governance (Contd.)

GENERAL BODY MEETINGS

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

AGM	Year	Venue	Date	Time	Special Resolution	Postal Ballot
81st	2010-11	Kalakunj Hall (Basement), Kalamandir 48, Shakespeare Sarani, Kolkata-700 017	26/09/11	11.00 AM	No	No
82nd	2011-12	Bharatiya Bhasha Parisad 36-A Shakespeare Sarani, Kolkata-700 017	28/09/12	11.00 AM	Yes	No
83rd	2012-13	Kalakunj Hall (Basement), Kalamandir 48, Shakespeare Sarani, Kolkata-700 017	25/09/13	11.00 AM	Yes	No

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

No special resolution was passed last year through postal ballot.

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

Most of the resolutions were passed through show of hands.

DISCLOSURES

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

Save and except what has been disclosed under Note no.28 which is forming part of the Accounts of your Company for the year ended 31st March 2014, there was no materially significant related party transaction, which may have potential conflict with the interests of your Company at large.

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

Compliance

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

- (c) **Whistleblower Policy**

SCOPE:

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

PURPOSE:

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

POLICY :

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

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

SAFEGUARDS:

Harassment or Victimization

Harassment or victimization of the complainant will not be tolerated.

Confidentiality

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

Anonymous Allegations

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

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

Malicious Allegations

Malicious allegations may result in disciplinary action.

PROCEDURE:

Process For Raising A Concern

Reporting

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

Report of Corporate Governance (Contd.)

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

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

Mailing address alternative for written documents:

Stone India Limited
16, Taratalla Road,
Kolkata 700088.

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

Timing

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

Evidence

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

How the Complaint will be handled

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

Initial Inquiries

Initial inquiries will be made to determine whether an

investigation is appropriate, and the form that it should take. Some concerns may be resolved by agreed action without the need for investigation.

Report to Complainant

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

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

Further Information

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

Information

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

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

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

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

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

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

Sl. No.	Compliances	Remarks
1.	Stipulations regarding the Board	Adopted
2.	Stipulations regarding Remuneration Committee	Adopted
3.	Stipulations regarding Shareholder Rights	Being adopted
4.	Stipulations regarding Audit Qualifications	Being adopted
5.	Training of Board Members	Will be adopted
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, 2014.

CEO/CFO CERTIFICATION

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

- (a) They have reviewed the financial statements and the cash flow statement for the year 2013-14 and that to the best of their knowledge and belief :
- these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year 2013-14 which are fraudulent, illegal or violative of the Company's code of conduct except certain cases of defalcation of funds which are under investigation and duly reported under Note 17(b) of the Note on Accounts.
- (c) They accept responsibility for establishing and maintaining internal controls and they have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the auditors and the Audit Committee :
- Significant changes in internal control during the year;
 - Significant changes in accounting policies during the

year and that the same have been disclosed in the notes to the financial statements; and

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

The Managing Director & CEO has given a Declaration to the effect that all Board Members and Senior Management personnel have confirmed compliance with the Code of Conduct during the Financial Year ended on 31st March, 2014.

STONE CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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

MEANS OF COMMUNICATION

- Quarterly Audited Results including the Half-yearly Results and the Annual Audited Results were published in Business Standard, Kolkata, Dainik Statesman, Kolkata and Ekdin, Kolkata;
- The Company has a Website, the address of which is www.stoneindia.co.in. The site gives various useful information relating to corporate, products etc. A separate section has been provided dedicated to Investors and Shareholders;
- During the year your Company displayed official news releases from time to time. From time to time company has made formal presentations to Bankers, institutional shareholders and analysts;
- The Management Discussion and Analysis Report forms an integral part of this Annual Report to the shareholders of the Company.

Report of Corporate Governance (Contd.)

GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting :

Date and Time : Friday, 26th September, 2014
 Venue : 'Kalakunj' (Basement) Hall, Kalamandir,
 48, Shakespeare Sarani, Kolkata- 700 017

(b) Financial Calendar (2014-15):

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, 2014	By 2nd Week of August, 2014
Half-Year ending September 30, 2014	By 1st Week of November, 2014
Third Quarter ending December 31, 2014	By 1st Week of February, 2015
Year ending March 31, 2015 (Audited)	By 2nd Week of May, 2015
AGM for the year ending March 31, 2015	September, 2015

(c) Book Closure date :

The dates of Book Closures are from 23rd September, 2014 to 26th September, 2014 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, 2014.

(e) Listing :

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

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

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

(f) Stock Price Data :

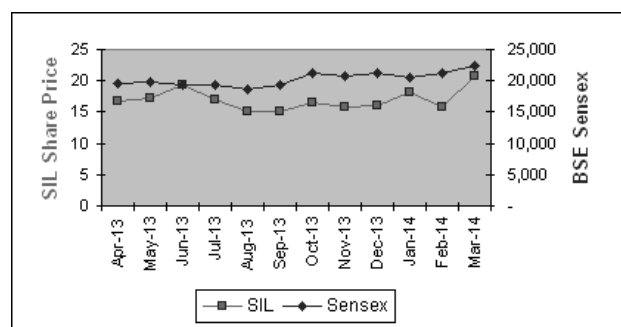
The table herein below gives the monthly high and low prices of the company's shares traded at the Stock Exchanges both at Calcutta and Mumbai for the year ended 31st March, 2014.

(in Rs.)

Month	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2013	17.20	14.90	N.T.	N.T.
May 2013	18.60	16.35	N.T.	N.T.
June 2013	20.95	16.30	N.T.	N.T.
July 2013	20.00	16.45	N.T.	N.T.
August 2013	20.10	14.85	N.T.	N.T.
September 2013	16.25	14.50	N.T.	N.T.
October 2013	17.45	14.70	N.T.	N.T.
November 2013	16.60	14.35	N.T.	N.T.
December 2013	16.90	14.00	N.T.	N.T.
January 2014	23.45	15.50	N.T.	N.T.
February 2014	18.30	15.05	N.T.	N.T.
March 2014	23.90	15.50	N.T.	N.T.

N.T. : No Transaction

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



(h) Registrar and Share Transfer Agent

C.B. Management Services (P) Limited
 Unit – Stone India Limited
 P-22, Bondel Road, Kolkata – 700 019
 Tel No. (033) 40116700-11/40116718/40116723
 2280 6692- 94/2282 3236-38/3643
 Fax No. (033) 40116739
 Email No. rta@cbmsl.com

Report of Corporate Governance (Contd.)

(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 twice in every month to timely consider the transfer proposals in physical form.

(j) Distribution of Shareholders Holdings:

The tables herein below give the distribution pattern of shareholding of the Company as on 31st March, 2014.

I Distribution of Shareholding Pattern by ownership:

Category	No. of Shares held	Percentage of Shareholding
A. Promoter's holding		
1. Promoters'		
– Indian Promoters	26,60,354	32.55
– Foreign Promoters	–	–
2. Persons acting in concert	2,20,500	2.70
Sub Total	28,80,854	35.25
B. Non-Promoters Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	573	0.01
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	415	0.00
c. Foreign Institutional Investors	–	–
Sub Total	988	0.01
4. Others		
a. Private Corporate Bodies	5,38,296	6.59
b. Indian Public	44,58,188	54.56
c. NRIs/OCBs	2,36,807	2.90
d. Any other (specify):		
i) Clearing Members/Corporate	56,366	0.69
Sub-Total	52,89,657	64.74
GRAND TOTAL	81,71,499	100.00

II. Distribution of shareholding by number of shares held :

No. of Shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	12,238	89.35	15,43,985	18.90
501 to 1000	791	5.78	6,39,202	7.82
1001 to 2000	320	2.34	4,83,795	5.92
2001 to 3000	113	0.82	2,95,084	3.61
3001 to 4000	54	0.39	1,93,324	2.37
4001 to 5000	38	0.28	1,85,571	2.27
5001 to 10000	87	0.64	6,44,267	7.88
10001 and above	56	0.40	41,86,271	51.23
Total	13,697	100.00	81,71,499	100.00

(k) Auditors' Certificate on Corporate Governance:

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

(l) Dematerialisation of Shares:

Your company's Shares are under transfer-cum-demat option. The Shareholders have the option to hold the Company's Shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

At present 93.28% 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.

(m) Address for correspondence with the Company:

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

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

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

Registered Office :

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

Report of Corporate Governance (Contd.)

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) 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:**

During the year under review, your Company has issued 20,00,000 warrants with a right to convert the warrants into equity shares to ISG Traders Limited, a promoter group Company, at a premium of Rs.7.50 per warrant on 17.10.2013. Out of the above, 575000 warrants have been converted into equity shares on 31-03-2014. Total paid up equity shares of the Company, as on 31-03-14) has been increased to that extent.

(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 Prades

For and on behalf of the Board

Place : 16, Taratalla Road,
Kolkata 700 088.

Date : 14th August, 2014

G. P. GOENKA
Chairman

Report of Corporate Governance (Contd.)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT for the year ended 31st March 2014

1 Industry Structure and Developments :

Indian economy further slowed down to a low growth rate of 4.7% being the second successive year of sub 5% growth. This has so far the lowest growth rate in the last 10 years in Indian economy. The slowdown in the GDP growth was mainly due to curtailment in government expenditure in a bid to rein the fiscal deficit.

With the low growth rate of GDP as well as the operating ratio of Indian Railways having reached 94% (Railways spending Rs. 94/- to earn Rs.100/-) in the year under review, affected the market demand of the company's product substantially. The wagon tender for the year 2012-13 was also not floated earlier and new tender for wagons for 2013-14 was announced at the flag end of financial year which resulted in almost no order situation for Wagon Brakes in this year.

With this subdued market condition the company's order booking went down to Rs.97.64 crores compared to order booking figure of Rs.104.09 crores of 2012-13.

In view of dismal business situation in Indian Railway Sector, Company decided to diversify in the Metro Railway Segment and also for the Bio Toilets for the stationary application. The details of such business diversification activities have been discussed and detailed at the later part of this report.

In the new product category for Railway Sectors, orders were booked for supply of Control Discharge Toilet System, Bogie Mounted Brake System, Air Suspension Control Equipment as well as Electro Pneumatic Brake for MEMU Coaches as well as for High Reach Pantographs and Automatic Engine Start Stop systems.

For the year under review company has been able to book export orders for supply of Slack Adjusters to Vietnam and Thailand.

2. Opportunities & Threats :

2.1. Opportunities :

Your company emphasized to book orders for new products and wanted to explore the opportunities for export as there was fund crunch as well as price pressure for order booking and sales of conventional products in the domestic market.

Company has been able to book the first major bulk Order of High Reach Pantograph, Control Discharge Toilet System for LHB Coaches (as employed in Satabdi/Rajdhani Express trains), Air Suspension Control Equipment as required for EMU Coaches and EP Brakes for Electro Pneumatic Brakes for MEMU Coaches. Company also received a further Order of 4 Sets of AESS (Automatic Engine Start Stop System) from South East Central Railway, Raipur.

During the year, your company also received good orders for Air Dryer for Diesel and Electric

Locomotives as well as Spares of Air Dryer required for maintenance purposes.

In spite of lack of orders of Slack Adjusters in the OEM market the orders for supply of Slack Adjusters to Zonal Railways increased marginally.

Alternator prices improved compared to 2012-13 and it is expected that this will be maintained for the next year. Substantial orders were also booked for 4.5 KW ERRUs as well as for 25 KW ERRUs.

2.2. Threats :

As reported last year there was severe price pressure from competitors particularly for Pantograph and Pantograph Spares for both Freight Locomotives as well as for Passenger Locomotives. Pantograph prices have reached a remarkably low figure. In order to combat the same, company's Nalagarh Unit was registered for supply of both types of Pantograph so that we are better placed in the market to face the competition.

As reported in earlier years Slack Adjuster business for OEM has further reduced in this year compared to earlier year as Railways switched on to BMBS system for newly manufactured Wagons. This will ultimately lead to erosion of this product line from the year 2014-15.

We have earlier reported that due to DLW switching over to 100% production of High Horse Power EMD locomotive the demand for PMBS for DLW has become NIL but we continued our effort to book orders of PMBS of Diesel Locomotives from DMW/Patiala so that our Nalagarh Unit can supply the same at an economic price.

Further during the year CLW started manufacturing additional number of 3-phase high horse power Locomotives instead of Conventional Locomotives for which the order booking for Electric Loco Panel Mounted Brake System also got reduced substantially.

Apart from the same as the Wagon tender for 2013-14 was floated only at the end of the 3rd quarter of the financial year there was dearth of Air Brake business for wagons in the market.

During the year under report, there has been an unprecedented fund crisis in the railways from the month of October 2013 leading to late receipt of payments from railways since October/November 2013 which has affected our cash flows very seriously resulting in disruption of production and material intake in spite of having orders in certain areas.

In the year under review, fund under RSP (Rolling Stock Procurement) had also been further curtailed which affected the non stock requisition cum demand leading to Works Contract for fitment of Triplate Panel etc for Diesel Locomotive as well for Electric Locomotives. This has affected the company's profitability as well as margins substantially.

Report of Corporate Governance (Contd.)

3. Segmentwise or productwise performance :

The company's operations fall under a single segment and hence segmental reports defined in Accounting Standard 17 is not applicable. For the financial year 2013-14 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 13% to 14% for 4.5 KW Alternator and 15% to 16% for 25 KW Alternator. Prices for both the varieties have stabilized and in the current year prices are being further increased compared to 2012-13 level.

b) Critical Loco Brake Valve :

Market share retained at 50% at the same level of price of 2012-13.

c) Air Brake Wagon & Coaches :

Market share for Freight Wagon was maintained around 20% and market share of Coach Air Brake maintained about 15%. However, prices of Wagon Air Brakes was not very attractive.

d) Pantographs :

Market share maintained around 40% to 45%. However, there has been severe undercutting of prices of Freight Pantograph over the year and due to low prices company has not accepted orders for High Speed Pantograph in the year under review.

e) Slack Adjusters :

Market share maintained at 50% to 55%. Price level increased to a level of 2.7% at Zonal Railways and for Wagon Builders prices were improved to the tune of 8.33%.

f) Panel Mounted Brake System for Locomotive :

Market share maintained at 50%. Prices were increased to the tune of 2% for Diesel Locomotive Brake Panel but there was no price increase for Electric Loco Brake Panel.

g) Rolling Stock Spares business :

The level of Spares business for Alternator Spares, Air Dryer Spares, Slack Adjuster Spares and Air Suspension Control Spares have increased. However, the price of Pantograph spares have dropped due to severe undercutting of prices in the market.

Business of Loco Valve Spares have almost remained same at the same level.

h) Air Dryers :

Company booked orders for 256 Nos. Air Dryers for Diesel and Electric Loco application and also booked an impressive order of Rs. 280 Lakh of Air Dryer Spares.

4) Outlook :

Considering the new government taken over in the month of May 2014 and Railways have been earmarked as a major growth area by new Prime Minister himself. It is expected that the demand for the company's product for the normal maintenance as well as for original equipment manufacturers (OEM) i.e. for Coach, Wagon and Loco Builders will increase.

Further, Production Units of Indian Railways have been given higher production target for Locomotive and Coaches and it is expected that demand for the company's product like Alternator, Coach Air Brake as well as for Pantograph will increase in the coming years.

Due to fund crunch and also due to under utilisation of Wagons, Railway Board has earlier only finalised 50% quantity of Wagon tenders in April/May 2014. It is expected that with the new government coming in, new tenders for about 20,000 wagons will be floated in this year.

BHEL, Jhansi used to be a major customer for the company for supply of Pantographs, Locomotive Brake System as well as for Loco Brake Valve. They have not been given any further order for Electric Locomotive by Railway Board in 2013-14 and the expected Orders for 2014-15 has also not been finalised.

The company has received Developmental Order for MEMU Brake System from RCF, Kapurthala which company expects to execute in 2014-15. The earlier supplied EMU Brake System to ICF, Chennai against their Developmental Order has not yet been assembled as ICF does not have the Order for conventional EMU Coaches.

During the year the order for Brake system of DMU Coaches have also been executed and company expects that EP Brake System will be a major growth area for the company in future.

Further company has also received the Part – II status from RDSO for Air Spring Control Equipment which enabled company to book a major order of Rs. 8.5 crores of Air Spring Control Equipment from ICF, Chennai.

5. Risks and Concerns :

As explained earlier there has been erosion of margin due to undercutting of price of Pantograph. It is expected that this will be offset partially for supply being made from Nalagarh Unit from 2014-15.

Further, the company is executing the order for Air Operated Pantograph through its in-house R&D team and this is a niche product where competition is limited. The prototype for Air Operated Pantograph would be ready for inspection by 3rd quarter of this financial year.

Moreover, your company has received order for High Reach Pantograph where competition is limited and expects the prototype for the same may be ready by 4th quarter of the current financial year.

However as reported earlier there is pressure of margin due to undercutting of prices of Wagon Air Brake by various competitors.

In view of the same it has been decided to concentrate on the sale of Spare Distributor Valves from Nalagarh Unit which will be a better margin proposal instead of selling complete Wagon Airbrake from Calcutta Unit at uneconomical prices.

Further the continued drop in production of conventional locomotive at CLW and almost no orders at BHEL will affect company's business for Loco Brake Group substantially. This can be only offset by developing the prototype of Computerized Brake System for Electric Locomotive for which Orders are expected to be released in the year 2014-15.

6) Internal Control Systems and their adequacy :

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

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

(Rs. in lakhs)

Particulars	2013-2014	2012-2013
Total Income	10,376.44	9,690.73
Sales	10,332.94	9,660.43
Profit after Taxation	(249.72)	(304.05)
Net Cash Flow from Operations	700.58	826.79
Basic EPS (Rs. Per share)	(3.29)	(4.00)

8. Business Development :

The major achievement for the company in the year under reporting is to execute both the Developmental Orders for EP Brake System (Electro Pneumatic Brake System) for both EMU (Electrical Multiple Units) as well as for DEMU (Diesel Electrical Multiple Unit) trains ordered by ICF, Chennai. This is a major development for the company as gradually the population of EMUs and DEMUs will increase in the country considering the growth of population in the suburban areas adjacent to the Metro Cities where these type of coaches are extensively employed.

As a result of this execution of these Orders company has been able to book further Developmental Order for EP Brake System for MEMU Coaches (Main Line Electrical Multiple Units) from RCF, Kapurthala.

As reported earlier your company had earlier supplied one rake of Bogie Mounted Brake System (BMBS) for the newly introduced BTFLN Wagons (Bogie Tank Frameless Liquid Wagons). These 50 Sets of Brake Systems have been commissioned in a rake of BTFLN Wagons as manufactured by M/s Braithwaite & Co. Ltd, Kolkata and have been commissioned in service in the financial year under reporting. The performance of such Brake System has been found to be satisfactory so far.

Company expects to receive Part – II approval for BMBS of Wagons by the end of financial year 2014-15 for this product. As Indian Railways have decided to introduce Bogie Mounted Brake System for all newly manufactured Wagons and as well as retro fitment exercise is also being undertaken simultaneously this will open up a major opportunity for the company.

As reported earlier, your company has started development of Permanent Magnet Alternator for LHB Coaches application and the progress so far has been satisfactory. However this is being developed with the company's in house R&D effort.

As reported earlier, your company had obtained Part – II status for both 4.5 KW ERRUs as well as for 25 KW ERRUs and this had resulted in the sales of 226 Sets of 4.5 KW ERRUs and 140 Sets of 25 KW ERRUs in the current year and as well as fresh Orders of 187 Sets of 4.5 KW ERRUs and 112 Sets of 25 KW ERRUs has been booked in the financial year under review.

Your company has also participated in the major tender of High Reach Pantograph at CLW and company has received a bulk Order for 84 Sets of High Reach Pantograph from CLW, Chittaranjan.

It is expected that High Reach Pantographs will be extensively employed in the Dedicated Freight Corridor and with the new Government taking over the progress of Dedicated Freight Corridor has been expedited to a considerable extent.

During the year, your company has also updated its design for Fault Diagnostic Control System(FDCS) to the next version where a large number of new innovative changes have been introduced by RDSO and company has participated in the tender at CLW and company is expecting the first Developmental Order for Fault Diagnostic Control System to Version 3 which will be sold at a higher price than compared to the existing price of Fault Diagnostic Control System of Version – 2.

As reported earlier company has received Part – II status for Air Spring Control Equipment and company has been able to book orders worth Rs. 857 Lakh from ICF, Chennai which has helped to increase the turnover to a great extent in the year under reporting.

In the year under review, further efforts were made with RDSO and CLW to complete the registration formalities for receipt of Developmental Order of Loco Brake System for

3-phase Freight and Passenger Electric Locomotives. Extensive testing facilities were rigged up and it is expected that by the beginning of 2014-15 our certification for receipt of Developmental Order of Brake System for 3-phase Electric Locomotives will be received from RDSO.

Similar follow ups have also been made with RDSO for approving our facilities for receipt of Developmental Order for Brake System for High Horse Power Diesel Locos and it is expected by 1st quarter of 2014-15. The approval from RDSO for receipt of Developmental Order for Brake System of High Horse Power Diesel Locos will also be received by us.

During the year company had been able to commission 7 Sets of AESS (Automatic Engine Start Stop System) in Diesel Shunting Locomotives at various locations of Indian Railways.

The system has been found to be useful in saving fuel while the Locomotive Engine is idling as considerable fuel saving can be made out of this device.

Efforts are being made to propagate the idea of this product to Indian Railways further as well as to other customers like NTPC, Private Thermal Power Plant etc for Shunting Locomotive application.

These users use these Shunting Locomotives particularly for transportation of Coal etc and adoption of AESS in Shunting Locomotives will save considerable fuel cost for the same. In addition, this product also has immense export opportunities.

In order to enable export of few of its newly developed electronic products to overseas market the company successfully got Vigilance Control Device (VCD) and Automatic Engine Start-Stop System (AESS) CE certified.

The company participated in a Platform Screen Gate retro fitment project at Delhi Metro Rail Corporation in consortium with its partner M/s. NRT Co., Ltd., South Korea in May 2013 and was successful in acquiring the contract. The value of the contract for Stone India is 28.89 Crore. This project is expected to get completed by February 2016.

Further the company is expected to participate in other Platform Screen Door/Gate projects in 2014-15 at various Metro Projects across the country.

As a part of business diversification activity as reported earlier the Company had signed a MoU (Memorandum of Understanding) with M/s. Shenyang Brilliant Elevator Co. Ltd., China for submission of quotation for Escalators & Elevators for application at Metro Projects, Indian Railways, Upcoming Airports and other Govt. Projects in India.

The company will initiate the business by participating in tenders for Escalators & Elevators for Kochi Metro Project which would be available in the next financial year. Further the company is expected to participate in other projects also in 2014-15.

BIO TOILETS

Another major initiative taken by your Company is to revolutionize hygiene and sanitation in the country, which is the crying need of the hour, as India loses more than 6 % of its GDP due to spread of diseases from Open Defecation . Your Company has designed and developed Biological Toilets which convert human waste into non toxic non contaminating water through multi strain aerobic bacteria culture in a multi chamber bio digester tank. The path breaking technology has been supported and validated by the Ministry of Science and Technology.

1. Total installations as on 31.03.14 is 966 nos. all over India on construction sites, Labour colonies, Village communities, village homes, urban slums, Construction Sites etc. Turnover for FY 2013 – 14 appx Rs. 238 lakhs till 31.03.14. Operations now profitable.
2. Several proposals being processed with State Governments, Corporate CSR, International Donor Agencies, Global NGOs and Foundations, MPLAD funds etc.
3. Many breakthroughs round the corner for new areas like Fair Grounds, Marriage Venues, Beaches, Islands, Railways, Warehouses, Disaster Sites, Girl Schools, and Houseboats etc.
4. Railways are reconsidering fitment of our bio toilets for LHB coaches and have already started installing Bio Toilet Blocks on Railway Platforms

CDTS

Your Company has developed Control Discharge Toilet Systems (CDTS) for installation on Railway Coaches. This is an electronically programmable controlled device which retains human waste till the Coach reaches a speed in excess of 30 km/hour, after which the waste is disposed in areas well outside the Railway Stations and this ensures cleanliness and hygiene in the Railway Stations and Platforms. So far, approx Rs 1 crore of CDTS has been dispatched and around Rs 1 crore of orders have been booked for installations.

SOLAR PROJECT

Your Company has also taken a decision to diversify into Solar Energy Projects to address the power deficit problems in the country. The R & D Department, recognized by Ministry of Science and Technology, has developed Solar inverter for both Off Grid and Grid Connected applications

1. Design and prototype manufacturing in process. Further modifications and extensions of the product conceived taking into account market requirements and trends
2. Testing & certification of the product as per international standards which are essential for obtaining subsidy & empanelment for solar projects is in progress. First phase of testing over, however testing of modified and extended versions in progress.

3. Simultaneously, your Company is in the process of lining up various pilot projects to validate our technology.
4. Your Company shall embark on the commercial projects only after validation of technology & Satisfactory operation through pilot projects.

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 program are organized in order to improve the skill of the existing employees by improving their domain knowledge as well as their attitude and behavior.

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

The industrial relations climate in your Company continued to remain harmonious and cordial. Various welfare measures and recreational activities continue to sustain such relations.

Your Company had 396 employees on the roll at the end of the year under review as against 401 last year.

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT

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 2014 as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the company.
3. In our opinion and to the best of our information and explanations given to us and the representations made by the Directors and the management except as given in para 4 below, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.
4. The framework of Risk Management and its controls are yet to be defined.
5. We further report that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

R.P. Singh
Partner
Membership No. 052438

Place : Kolkata
Date : 14th August, 2014

CODE OF CONDUCT FOR BOARD MEMBERS & SENIOR MANAGEMENT PERSONNEL

Declaration by the Chief Executive Officer (CEO)

It is hereby declared that the Board Members & Senior Management personnel of the Company have confirmed compliance with the Code of Conduct as applicable to the Board Members & Senior Management Personnel for the financial year ended on 31st March 2014

For **STONE INDIA LIMITED**

(A. MONDAL)
MANAGING DIRECTOR & CEO

Date : 30th May, 2014

Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

Certification as per clause 49 of the Listing Agreement

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

30th May 2014

Dear Sirs,

- (a) We have reviewed the financial statements and the cash flow statement for the year 2013-14 and do certify that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2013-14 which are fraudulent, illegal or violative of the Company's code of conduct except certain cases which are under investigation.
- (c) We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify the deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
- (i) Significant changes in internal control during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of employees having a significant role in the Company's internal control system.

Thanking you,

Yours faithfully,
For **STONE INDIA LIMITED**

(A. MONDAL)
MANAGING DIRECTOR & CEO

Yours faithfully,
For **STONE INDIA LIMITED**

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

Ten Years at a Glance

Particulars	(Rs. in Lacs)									
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Order received	9764.29	10409.00	10301.00	9950.16	9501.73	8,711.09	9,574.25	8,083.15	6,207.51	4,808.69
Sales (Net)	10332.94	9660.43	9865.33	9144.47	9400.53	8,042.18	7,911.17	7,068.42	5,300.78	4,030.95
Profit before Tax	(376.86)	(441.67)	405.94	615.37	561.17	(757.13)	1,076.15	820.92	870.11	238.55
Earning per Share (Rs.)										
— Basic	(3.29)	(4.00)	4.21	6.00	5.80	(11.33)	11.92	10.57	11.07	3.04
— Diluted	(3.29)	(4.00)	4.21	6.00	5.80	(11.33)	11.92	10.36	10.96	2.70
Dividend per Share (Rs.)	—	—	—	—	—	—	1.25	1.25	1.00	—
Net Asset Employed										
Fixed Assets at Cost	6920.48	6803.02	6380.12	6033.94	6616.03	6,509.64	5,815.53	5,766.24	2,975.08	2,799.72
Current Assets (Net)	836.88	1330.56	3993.71	3123.46	2350.04	1,625.02	2,837.02	2,560.53	3,646.86	2,727.96
Deferred Tax Assets (Net)	144.17	120.59	—	—	—	—	86.23	122.94	—	—
Profit & Loss										
Account (Dr Bal)	—	—	—	—	—	—	—	—	—	255.11
Net Assets Employed	7901.53	10373.83	10373.83	9157.40	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79
Financed by										
Share Capital	817.83	760.33	760.33	760.33	760.33	760.33	760.33	899.08	899.08	753.58
Reserves	2871.68	3015.94	3319.98	3062.39	3102.53	2,762.36	3,274.21	3,795.21	2,288.24	1,820.51
Accumulated										
Depreciation	3273.51	3005.68	2740.76	2478.78	2544.06	2,275.36	2,072.63	1,884.93	1,753.60	1,684.28
Loans & Overdrafts	938.51	3141.81	3310.19	2822.00	2538.36	2,336.61	2,181.61	1,870.49	1,681.02	1,524.42
Capital Employed	7901.53	10373.83	10373.83	9157.40	8966.07	8,134.66	8,738.78	8,449.71	6,621.94	5,782.79

Independent Auditors' Report

TO THE MEMBERS OF STONE INDIA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Stone India Limited ("the Company") which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- (a) In respect of Rental demands from Kolkata Port Trust on the Company amounting to Rs. 228.97 lacs, pending decision of the Court exact status of the liability and amount payable has not been ascertained; (Note 6A(b))
- (b) Payment of managerial remuneration amounting to Rs.186.75 lacs (including Rs.111.58 lacs for the year) is subject to approval of the Central Government; (Note 23(a))
- (c) Stocks lying at different locations as stated in the Note 14(c) are under reconciliation. Pending this, the provision of Rs. 250 lacs has been made, the adequacy of which and consequential adjustments arising in this respect cannot be ascertained and commented upon by us;
- (d) Revenue recognition shortfall against advances of Rs.1006.99 lacs and investment of Rs.1 lac to a subsidiary in respect of a project undertaken by it, pending implementation thereof, has presently not been ascertained; (Note 13(b))

Place : Kolkata
Date : 30th May, 2014

- (e) Certain debit/credit balances including certain overdue balance of debtors as given in the Note 15(b) are subject to confirmation/reconciliation and the consequential adjustments thereof has not been determined; (Note 27)
- (f) Details regarding Micro, Small and Medium Enterprise are not available and as such required disclosure in this respect could not be given; (Note 8(a))
- (g) Advances include Rs.104.36 lacs under investigation, impact whereof as such could not be commented upon pending completion of proceedings. (Note 17(b))

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matter described in the Basis for Qualified Opinion paragraph effects whereof cannot be ascertained and commented upon, the financial statements 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 the Balance sheet, of the state of affairs of the Company as at 31st March 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report Order, 2004) (the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Act and according to the information and explanations given to us and also on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the said order.
2. As required under provisions of section 227(3) of the Companies Act, 1956, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Act read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - e. On the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the directors, is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

R. P. Singh
Partner
Membership No. 52438

Annexure to the Independent Auditor's Report

(Referred to in paragraph under "Report on Other Legal and Regulatory Requirements" of the report of even date.)

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- b) 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, such verification has been carried out by the management. However, the necessary reconciliation with the book records was yet to be completed and discrepancies if any in this respect as such was not ascertainable.
- (c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets.
- ii) a) The inventory except those lying with third parties 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. In respect of stock lying with third parties confirmations were obtained.
- b) In our opinion, excepting as given herein above, 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) The Company has maintained proper records of its inventory except for stocks lying with third parties. Pursuant to an exercise for verification and reconciliation thereof initiated in the previous year, even though carried out to a substantial extent, the reconciliation and required adjustment with respect to stock lying with third parties and those at certain location were in progress at year end. Pending completion of the entire exercise, a provision of Rs.250 lacs as given in the Note 14(c) has been made in this respect. Consequential adjustment against respective inventory items, as explained, will be given effect to on determination thereof.
- iii) Except for the advances on account of various costs incurred for undertaking Rail Runner and Bio-toilet project by two subsidiaries, as per the records of the company, it has not taken/granted any loans, secured or unsecured, to any companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Advances given to subsidiaries for undertaking the said projects are in the nature of contribution towards the project and is therefore long term and strategic in nature and there are no terms of repayment etc. in this respect. The aggregate amount of advances given to subsidiaries outstanding at the year end and the maximum amount outstanding thereof at any time during the year were Rs. 1125.23 lacs and Rs. 1156.75 lacs respectively. Pending implementation of the project especially the rail runner project (Note 13(b)), it is not possible to comment whether these are prima facie prejudicial to the interest of the Company.
- iv) Having regard to the fact that comparative quotations are not available for purchase of certain items of components during the year, in our opinion and according to the information and explanations given to us there are adequate internal control
- procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) (a) According to the information and explanations provided to us, particulars of the contracts or arrangement referred to in Section 301 of the Act have been entered in the register maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Act and exceeding five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not received or accepted any deposits during the year.
- vii) Internal audit of the Company has been carried out by independent firm of Chartered Accountants in phased manner to cover all key areas over the period of two to three years. Except to the extent that coverage of areas and frequency thereof need to be extended, the internal audit system followed presently is reasonable considering the the size and nature of the business of the Company.
- viii) On the basis of the records produced, we are of the opinion that prima facie the cost records and accounts prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 have been maintained. However, we have not carried out any detailed examination of such records with a view to determine whether they are accurate or complete.
- ix) a) According to the information and explanations given to us and as per the records of the Company, the Company except for Employees' State Insurance as mentioned in the Note 9(b) of the financial statements, tax deducted at source, excise duty, Professional Tax and sales tax where there were delays in depositing the dues to appropriate authorities is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Professional Tax, Wealth tax, Custom Duty, Cess and other material statutory dues applicable to it. However, according to the information and explanations given to us, except those given below, there is no undisputed amounts payable in respect of these which were in arrears, as at 31st March 2014 for a period of more than six months from the date they became payable.

Name of Statute	TYPE	AMOUNT (Rs. In Lacs)
The Central Excise Act 1944	Service Tax	3.51
The Employees' Provident Fund & MP Act, 1952	Accumulated shortfall (Note 30(i)(a) of financial statements)	36.10

- 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 Rs. Lacs
West Bengal Sales Tax Act, 1995	Sales Tax	Revisional Board	2004-05	14.30
West Bengal Value Added Tax, 2003	Sales Tax	Additional Commissioner	2008-09	21.98
Central Sales Tax Act, 1954	Sales Tax	Revisional Board	2003-04, 2004-05 and 2005-06	31.68
Central Sales Tax Act, 1954	Sales Tax	Additional Commissioner	2006-07	23.72
Central Sales Tax Act, 1954	Sales Tax	Additional Commissioner	2008-09	3.22
Central Excise Act, 1944	Service Tax	Appeal to be filed in CESTAT, Kolkata	2005 to 2010	41.03

- x) Without considering the matter described in the Basis for Qualified Opinion paragraph effects whereof cannot be ascertained and commented upon, the Company does not have any accumulated losses at the end of the financial year. The Company has incurred cash losses in the current and immediately financial year.
- xi) According to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks and financial institutions.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore the provision of clause

4(xiii) of the said order is not applicable to the company.

- xiv) The Company is not dealing / trading in securities.
- xv) According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) As per the information and explanations given to us and based on the documents and records produced to us no term loan has been raised 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 short term funds to the extent of Rs. 221.01 lacs have been used for long-term investments.
- xviii) The Company as given in the Note 3B has issued warrants on preferential basis to company covered in the register maintained under Section 301 of the Companies Act, entitling them to obtain allotment of equity shares of the Company. These warrants have been issued at the price determined as per the regulations of Securities and Exchange Board Of India, in our opinion this is not prejudicial to the interest of the Company.
- 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) Attention is invited to the Note 17(b) regarding defalcation of company's fund which is under investigation. Necessary steps including suspension of an employee, so far identified, have been taken and as explained further administrative and other course of action including recovery of the amount involved are in the process. Excepting this, 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.

Place : Kolkata
Date : 30th May, 2014

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

R. P. Singh
Partner
Membership No. 52438

Statement of Profit & Loss for the year ended 31st March, 2014

(Rs. in lacs)

	Note No.	For the Year ended 31st March, 2014	For the Year ended 31st March, 2013
Revenue from operations	19	10,332.94	9,660.43
Other Income	20	43.50	30.30
Total Revenue		10,376.44	9,690.73
Expenses			
Cost of Materials Consumed	21	6,436.70	5,635.43
Changes in inventories of finished goods, work in progress and Stock-in-trade	22	10.79	(8.92)
Employee benefits expense	23	1,669.96	1,676.68
Finance Costs	24	588.72	589.55
Depreciation and amortization expense	11	267.99	276.31
Other expenses	25	1,779.14	1,963.37
Total Expenses		10,753.30	10,132.42
Profit/(Loss) before tax		(376.86)	(441.68)
Tax expense:			
Deferred tax	5	(127.14)	(137.63)
Profit/(Loss) for the year		(249.72)	(304.05)
Earnings per equity share (in Rs):	28		
(1) Basic		(3.29)	(4.00)
(2) Diluted		(3.29)	(4.00)
Significant Accounting Policies	1		

Significant Accounting Policies (Note 1) and other accompanying notes form an integral part of these financial statements.

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

For **LODHA & COMPANY**
Chartered Accountants

R.P. Singh
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka Chairman
S. Ray Director
I. Sen Director
A. Mondal Managing Director & CEO
S. Goswami Sr. Vice President & CFO
A. Majumdar Company Secretary

Balance Sheet as at 31st March, 2014

(Rs. in lacs)

	Note No.	As at 31st March, 2014	As at 31st March, 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	2	817.83	760.33
(b) Reserves and surplus	3	2,809.34	3,015.94
(c) Money received against Share Warrants	3B	62.34	—
(2) Non-current liabilities			
(a) Long-term borrowings	4	333.52	646.48
(b) Other Long term liabilities	6A	338.47	238.47
(c) Long-term provisions	6B	266.52	276.07
(3) Current liabilities			
(a) Short-term borrowings	7	2,729.53	2,495.42
(b) Trade payables	8	2,385.14	2,266.02
(c) Other current liabilities	9	1,869.42	1,632.45
(d) Short-term provisions	10	53.84	42.10
TOTAL		<u>11,665.95</u>	<u>11,373.28</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	3,624.65	3,767.71
(ii) Intangible assets	11	22.32	29.66
(b) Non-current investments	12	22.03	22.03
(c) Deferred Tax Asset (Net)	5	144.17	17.03
(d) Long-term loans and advances	13	1,337.12	1,300.80
(2) Current assets			
(a) Inventories	14	2,092.51	2,638.77
(b) Trade receivables	15	2,997.08	2,481.85
(c) Cash and cash equivalents	16	432.62	232.92
(d) Short-term loans and advances	17	952.32	852.47
(e) Other current assets	18	41.13	30.04
TOTAL		<u>11,665.95</u>	<u>11,373.28</u>
Significant Accounting Policies	1		

Significant Accounting Policies (Note 1) and other accompanying notes form an integral part of these financial statements.

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

For **LODHA & COMPANY**
Chartered Accountants

R.P. Singh
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka Chairman
S. Ray Director
I. Sen Director
A. Mondal Managing Director & CEO
S. Goswami Sr. Vice President & CFO
A. Majumdar Company Secretary

Cash Flow Statement for the year ended on 31st March, 2014

	For the Year ended 31.03.2014	(Rs. in lacs) For the Year ended 31.03.2013
Net Profit/ (Loss) before tax and after exceptional items	(376.86)	(441.68)
Adjustment For :-		
Depreciation	267.99	276.31
(Profit)/Loss on sale of Fixed Assets	(0.03)	5.07
Interest Income	(20.10)	(19.29)
Interest expense	588.72	589.55
Provision for Debts and Others	77.00	267.00
Provision for advances	—	87.16
Provision for LD & Warranty	10.00	57.76
Provision for LD & Warranty written back	(25.26)	(32.50)
Liability no longer required written back	(11.42)	—
Provision for inventory	220.00	30.00
Operating Profit/(loss) before working capital changes	730.04	819.38
Adjustment For :-		
Trade & other receivables	(721.32)	366.66
Inventories	326.26	(79.32)
Trade & other payables	383.79	(281.71)
Cash generated from/(used in) operating activities	718.77	825.01
Taxes (paid)/Refund received	(18.19)	1.78
Net Cash generated from/(used in) Operating Activities	700.58	826.79
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(117.83)	(446.15)
Sale of Fixed Assets	0.29	6.77
Interest Received	20.10	26.64
Net Cash generated from/(used in) Investment Activities	(97.44)	(412.74)

Cash Flow Statement for the year ended on 31st March, 2014 (Contd.)

	For the Year ended 31.03.2014	(Rs. in lacs) For the Year ended 31.03.2013
CASH FLOW FINANCING ACTIVITIES		
Interest paid	(588.72)	(589.55)
Issue of Shares	100.62	—
Issue of Share Warrants (Net)	62.34	—
Development Grant received from DSIR	100.00	—
Increase/(Decrease) in borrowings	(77.68)	55.91
Net Cash generated from/(used in) Financing Activities	(403.44)	(533.64)
Net Increase/(decrease) in Cash & Cash equivalents	<u>199.70</u>	<u>(119.59)</u>
Cash & Cash equivalents at beginning	232.92	352.51
Cash & Cash equivalents at closing	432.62	232.92
Net Increase/(decrease) in cash & cash equivalents	<u>199.70</u>	<u>(119.59)</u>

Notes :

- 1) Cash and Cash equivalents include Rs 302.32 (Previous year Rs 197.88) which are under lien or are not freely available.
- 2) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements.
- 3) Previous year's figures have been rearranged, where necessary.

As per our attached report of even date

For **LODHA & COMPANY**
Chartered Accountants

R.P. Singh
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

Note 1**Significant Accounting Policies****(a) Basis of Preparation of Financial Statements :**

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

(b) Sales:

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

(c) Employee benefits:

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

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

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

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

(d) Fixed Assets and Depreciation :

- a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Note 11 to the Accounts. Leasehold land is amortized over the period of lease.
- b) In case of revaluation of Fixed Assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to Capital Reserve.
- c) Depreciation on assets revalued is calculated on their respective book values on Straight Line Method based on useful life either assessed technically or derived with respect to the rates specified in Schedule XIV to the Companies Act, 1956. The additional charge of depreciation on account of revaluation is deducted from the Capital Reserve and credited to the Profit & Loss Account.

(e) Impairment:

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

(f) Inventories:

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

(g) Taxes on income

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

(h) Investments:

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

(i) Foreign Currency:

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

(j) Government Grants

Government grants are recognized as capital or revenue depending upon the purpose and utilization of the proceeds thereagainst. Revenue grants including subsidy / rebates etc. are credited to the Statement of Profit or Loss under "other income" or deducted from the related expenses. Grants relating to Fixed Assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be.

(k) Borrowing Costs:

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

(l) 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.

(m) Use of Estimates, Provisions, Contingent Liabilities and Contingent Assets:

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

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

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

Notes to the Financial Statements for the year ended 31st March, 2014 (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
2) SHARE CAPITAL			
a) AUTHORISED : 100,00,000 Equity Shares of Rs. 10/- each		1000.00	1000.00
b) ISSUED : 82,42,963 (Previous year 76,76,963) Equity Shares of Rs. 10/- each	3B	824.30	766.80
c) SUBSCRIBED AND FULLY PAID UP: 81,71,499 (Previous year 75,96,499) Equity Shares of Rs. 10/- each	3B	817.15	759.65
d) SUBSCRIBED AND NOT FULLY PAID UP: 13,600 (Previous year 13,600) Equity Shares of Rs. 10/- each against which Rs 5/- paid on application and forfeited		0.68	0.68
TOTAL		817.83	760.33
e) Reconciliation of number of shares outstanding at the beginning and at the end of the year			
Equity shares at the beginning of the year (fully paid up)	3B	7,596,499	7,596,499
Add: Issued against Share Warrants		575,000	—
		8,171,499	7,596,499
f) Shareholders holding more than 5% shares			
Name of Shareholder		No. of shares	No. of shares
Continuous Forms (Calcutta) Limited		1,113,352	1,113,352
ISG Traders Limited		1,517,302	942,302
g) Terms and rights attached to equity shares:			
The Company has one class of equity shares having par value of Rs 10/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation the equity shareholders are eligible to receive the remaining assets after discharging all liabilities of the Company, in proportion to their shareholding.			
3) RESERVES AND SURPLUS			
Capital Investment Subsidy Reserve		20.00	20.00
Other Reserve		0.53	0.53
Securities Premium account :			
At the beginning of the year		1,074.57	1,074.57
Add: Addition during the year	3B	43.12	-
At the end of the year		1,117.69	1,074.57
General Reserve :			
As per last account		595.57	595.57
Surplus			
At the beginning of the year		1,325.27	1,629.32
Add/(less): Profit/(Loss) for the year transferred from Statement of Profit & Loss		(249.72)	(304.05)
At the end of the year		1,075.55	1,325.27
TOTAL		2,809.34	3,015.94

Notes to the Financial Statements (Contd.)

(Rs. in lacs)

	Ref Note No.	As at 31st March, 2014	As at 31st March, 2013
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3B) MONEY RECEIVED AGAINST SHARE WARRANTS

1,425,000 Warrants at an amount equivalent to 25% of the warrant price of Rs 17.50 each

62.34

—

The Company has allotted 20,00,000 Warrants on a preferential basis to ISG Traders Limited, a Promoter Group Company on 17th October, 2013 entitling the allottee to apply for and obtain allotment in one or more tranches one Equity Share of Rs.10/- each at a price of Rs.17.50 per share against each such Warrant within 18 months from the date of allotment. Out of above, 5,75,000 equity shares of Rs 10 at a premium of Rs 7.50 each has been subscribed and allotted on 31st March, 2014, leaving a balance of 14,25,000 warrants which have been shown as above.

4) LONG TERM BORROWINGS

(Secured)

Term Loan from Indian Overseas Bank
Vehicle Loan

305.21

606.38

28.31

40.10

TOTAL

333.52

646.48

a) Term Loan from Indian Overseas Bank is secured by exclusive 1st charge on entire plant and machinery and other movable fixed assets of the Company and equated mortgage of land and building of Nalagarh unit and 2nd pari passu charge on all the current assets of the Company both present & future and is repayable in 60 monthly instalments of Rs. 11.70 each starting from 30th June, 2011 (increased to Rs. 12.39 from November, 2011) and 52 monthly instalments of Rs. 11.73 each starting from February, 2012.

b) Vehicle Loan is secured by hypothecation of vehicles and are repayable in 60 monthly instalments of Rs 0.77 starting from April 2012 and 60 monthly instalments of Rs 0.53 starting from May 2012.

c) Current maturities of above loans have been shown under note 9.

5) DEFERRED TAX LIABILITIES (NET)

	Opening		(Charge)/credit for the year ended		Closing Balance	
	As on 01.04.13	As on 01.04.12	31.03.2014	31.03.2013	As on 31.03.14	As on 31.03.13
Deferred Tax Assets :						
Unabsorbed Depreciation	21.57	26.04	11.61	(4.47)	33.18	21.57
Provision for Doubtful Debts & Advances	117.53	—	0.64	117.53	118.17	117.53
Provision for LD & Warranty	—	—	16.50	—	16.50	—
Provision for Inventory	—	—	81.13	—	81.13	—
Provision for leave	49.01	43.17	(2.16)	5.84	46.85	49.01
Provision for gratuity	32.78	23.64	7.82	9.14	40.60	32.78
	220.89	92.85	115.54	128.04	336.43	220.89
Deferred Tax Liabilities :						
Depreciation Difference	(203.86)	(213.44)	11.60	9.58	(192.26)	(203.86)
Net Deferred Tax Asset/(Liabilities)	17.03	(120.59)	127.14	137.62	144.17	17.03

6A) OTHER LONG TERM LIABILITIES

Development Grant Received for BTS
Other Liabilities

244.00

144.00

94.47

94.47

338.47

238.47

Notes to the Financial Statements (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
a) The development grant including Rs 100.00 received during the year is for financial support from 'Department of Scientific & Industrial Research' (DSIR) for design and development of 'Biological Toilet System' (BTS) (Product) under TDDP release and to be utilized for equipments and other related parts for the said project.			
In terms of agreement with DSIR, the Company is required to pay annual royalty in lumpsum @26% of the grant so received to National Research Development Corporation (NRDC) on behalf of DSIR for a period of five years from the start of commercial sale of the product. Pending commencement of the commercial operation, no adjustment with respect to the royalty in terms of the agreement has been considered necessary.			
b) In respect of demand for increase in rentals amounting to Rs. 228.97 (Previous year Rs 228.97) on leasehold land from Calcutta Port Trust in the earlier years, consequent to Special Leave Petition in Hon'ble Supreme Court filed against the same, the matter has been referred back to the Hon'ble Calcutta High Court for a fresh decision on merit. Pending decision of the Court, payments are being made as per the directions received in this respect and provision of Rs. 94.47 made thereagainst in earlier years has been considered adequate by the management and included under 'Other Liabilities'. Adjustments required in this respect will be given effect to as finally determined.			
6B) LONG TERM PROVISIONS			
Provision for employee benefits			
Gratuity		125.13	101.03
Leave		141.39	151.04
Provision for LD & Warranty		<u>—</u>	<u>24.00</u>
		<u>266.52</u>	<u>276.07</u>
7) SHORT TERM BORROWINGS			
Cash Credit from Banks		<u>2,729.53</u>	<u>2,495.42</u>
		2,729.53	2,495.42
a) 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 movable fixed assets at Kolkata unit of the Company on a pari passu basis			
8) TRADE PAYABLES	27		
Acceptances		305.40	149.59
Trade Payables		<u>2,079.74</u>	<u>2,116.43</u>
		<u>2,385.14</u>	<u>2,266.02</u>
a) Necessary information from the suppliers required under Micro, Small and Medium Enterprise Development Act, 2006 were not available and as such the disclosure as required in Section 22 of the said Act could not be given in these accounts.			

Notes to the Financial Statements (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
9) OTHER CURRENT LIABILITIES			
Current maturities of long term debt (Secured)	4	289.44	300.09
Current maturities of vehicle loan (Secured)	4	11.81	—
Book Overdraft		41.69	5.50
Dues to employees		133.64	56.10
Dues to related parties	29	66.24	57.63
Statutory dues		425.29	515.54
Advance from Customers	27	53.33	—
Other Liabilities	27	841.45	691.99
Unpaid Dividend		5.25	5.25
Interest accrued but not due		1.28	0.35
		<u>1,869.42</u>	<u>1,632.45</u>

a) Other liabilities include unbilled procurements, services, expenses etc.

b) The Company has made full provision for dues to the ESI authorities arising out of the ESI Central – 2nd Amendment Rules, 1996 which has not been deposited with the ESI authorities because of a stay order issued by the Hon'ble Calcutta High Court on 25 April, 1997. Pending final decision and determination of liability in this respect, Rs 51.96 has been provided and included under Other Liabilities.

10) SHORT TERM PROVISIONS

Provision for Leave	3.00	—
Provision for LD & Warranty	50.84	42.10
Total	<u>53.84</u>	<u>42.10</u>

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

Particulars	Opening Balance as on 01.04.13	Further provision during the year	Provision Adjusted during the year	Closing balance as on 31.03.14
Provision for liquidated damages & warranties	66.10	10.00	(25.26)	50.84
Previous year	40.84	57.76	(32.50)	66.10

Notes to the Financial Statements (Contd.)

Note 11 - FIXED ASSETS

		(Rs lacs)											
		Gross Block At Cost				Impairment			Depreciation			Net Block	
	As at 01.04.13	Additions during the year ended 31.03.14	Sales/ Adjustment for the year ended 31.03.14 (at Cost)	Sales/ Adjustment for the year ended 31.03.14 (Revalued Figure)	As at 31.03.14 01.04.13	For the year ended 31.03.14	As at 31.03.14 01.04.13	Sales/ Adjustment for the year ended 31.03.14	Sales/ Adjustment for the year ended 31.03.14 (on revalued portion)	For the year ended 31.03.14	As at 31.03.14	As at 31.03.14	
A. TANGIBLE ASSETS :													
Leasehold Land & Buildings	162.02	-	-	-	162.02	-	-	54.12	-	2.72	56.84	105.18	107.89
Freehold Land & Buildings	124.29	-	-	-	124.29	-	20.22	-	-	2.00	22.22	102.07	104.06
Freehold Land at Baddi	128.41	-	-	-	128.41	-	-	-	-	-	-	128.41	128.41
Free hold Building at Baddi	428.37	-	-	-	428.37	-	25.44	-	-	6.98	32.42	395.95	402.93
Plant & Machinery	4,838.91	95.49	-	-	4,934.40	241.00	1,907.63	-	-	178.11	2,085.74	2,607.66	2,690.28
Furniture Fittings & Electrical Installations	553.33	10.14	0.37	-	563.10	-	413.79	0.11	-	31.29	444.97	118.13	139.54
Vehicles	7.88	-	-	-	7.88	-	7.88	-	-	-	7.88	-	-
Tools	293.49	4.94	-	-	298.43	-	159.02	-	-	26.04	185.06	113.37	134.47
Leasehold Vehicle	65.79	-	-	-	65.79	-	5.66	-	-	6.25	11.91	53.88	60.13
B. INTANGIBLE ASSETS :													
Technical Know How	79.67	-	-	-	79.67	-	79.67	-	-	-	79.67	-	-
Computer Software	100.29	7.26	-	-	107.55	-	80.90	-	-	9.46	90.36	17.19	19.39
In-house Technology	20.57	-	-	-	20.57	-	10.30	-	-	5.14	15.44	5.13	10.27
Total	6,803.02	117.83	0.37	-	6,920.48	241.00	2,764.63	0.11	-	267.99	3,032.51	3,646.97	3,797.37
Previous Year	6,380.12	446.16	23.26	-	6,803.02	241.00	2,499.76	11.44	-	276.31	2,764.63	3,797.37	-

Notes to the Financial Statements (Contd.)

Note 11 - FIXED ASSETS (Contd.)

1. The Deed Of Conveyance/Registration relating to building at Gopalpur, Orissa is in the process of being executed by the Company and the stamp duty payable in respect thereof will be accounted for on assessment. However, the said property is in the possession of the Company.
2. Freehold land & building includes flat at New Delhi (Gross Value Rs 9499, WDV as at 31st March 2014 and 31st March 2013: Rs 7648 and Rs 7901, respectively) in which the Company has one-third ownership share and is in the Company's joint possession.
3. Furniture, fittings and Electrical installations includes computer & computer peripherals.
4. Depreciation on Fixed Assets has been provided on straight line method from the date these are put to use at specified rates as under:

	Year ended	Year ended
Freehold Buildings	31.03.14	31.03.13
Leasehold Factory Buildings	1.63%	1.63%
Leasehold Office Buildings	3.34%	3.34%
Plant & Machinery :	1.63%	1.63%
Single Shift	4.75%	4.75%
Used in manufacture of Electronic Goods - Single shift	5.38%	5.38%
Furniture & Fittings	6.33%	6.33%
Office Equipment	13.91%	13.91%
Airconditioner	13.91%	13.91%
Computer	16.21%	16.21%
Electrical Installation	13.91%	13.91%
Cycles	7.07%	7.07%
Other Vehicles	9.50%	9.50%
Technical Khov How Fees	25.00%	25.00%
Tools	11.31%	11.31%

* Items below Rs. 0.05 each have been depreciated @ 100%

5. Carrying value of Fixed Assets of the colour monitor unit at Kustia Road being affected due to obsolescence was considered for impairment as on 01.04.2004 and Rs 0.24 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.
6. Certain Plant & Machinery and Land & Building of the Company as on 31st January, 2001 and 1st January, 2007 was revalued by the approved valuer on Net Replacement Cost basis and Fair Value basis respectively and increase in value by Rs 424965 arising therefrom was added to the Gross Block of the respective year.

Notes to the Financial Statements (Contd.)

		(Rs. in lacs)	
	Ref Note No.	As at 31st March, 2014	As at 31st March, 2013
12) NON CURRENT INVESTMENTS			
UNQUOTED - AT COST (Other than Trade)			
Debentures			
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.		0.03	0.03
Equity Shares in Subsidiary Company			
10000 Equity Shares of Rs. 10 each fully paid up in Stone Intermodal Private Limited		1.00	1.00
210000 Equity Shares of Rs. 10 each fully paid up in Stone Biotech Private Limited		21.00	21.00
		<u>22.03</u>	<u>22.03</u>
13) LONG TERM LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Capital Advance		288.69	288.69
Advance to related parties	29(c)(d)	1,006.99	935.80
Earnest Money Deposit	27		
- Considered good		—	35.55
- Considered doubtful		65.20	65.20
Less : Provision for Doubtful Earnest Money Deposit		(65.20)	(65.20)
Security Deposit	27	41.44	40.76
		<u>1,337.12</u>	<u>1,300.80</u>
a) Rs 288.69 paid for acquiring technical knowhow, pending implementation thereof, has been shown as capital advance.			
b) Advance to related parties include Rs. 1006.99 (Previous Year Rs. 935.80) recoverable from Stone Intermodal Private Limited (SIPL) (a subsidiary) being administrative and other costs allocated and payment for knowhow for the development of the product for "Rail Runner Project" to be undertaken by the said subsidiary and investment includes Rs 1.00 (Previous Year Rs 1.00) in the said subsidiary. Even though there have been delays in completion of the project, considering the Company's long term involvement with SIPL and the prospects thereof, the Company's exposure therein has been considered good and recoverable.			
14) INVENTORIES			
Raw Materials		1,544.97	1,860.45
Work-in-Progress		766.23	750.14
Finished Goods		31.31	58.18
		<u>2,342.51</u>	<u>2,668.77</u>
Less: Provision for inventory		250.00	30.00
		<u>2,092.51</u>	<u>2,638.77</u>
a) Work-in-Progress is arrived at after conversion of stocks at various stages of completion to equivalent completed production hours and have been valued at normal labour hour rates and allocated overheads apart from the material cost.			
b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The production overhead has been allocated on actual/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on management's technical estimates, the auditors have relied upon the same.			

Notes to the Financial Statements (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
c) Stocks lying with third parties and at certain locations are under reconciliation at the year-end and pending consequential adjustments, if any, arising in this respect, provision of Rs 250.00 has been made in these accounts.			
15) TRADE RECEIVABLES	27		
(Unsecured - considered good unless otherwise stated)			
Over Six Months			
- Considered good		454.95	371.23
- Considered Doubtful		277.00	275.00
Other debts			
- Considered good		2,542.13	2,110.62
Less : Provision for doubtful debts		(277.00)	(275.00)
		<u>2,997.08</u>	<u>2,481.85</u>
a) Due date of 30 days have been considered as the general term for all debtors.			
b) Debtors balances of Rs 289 lacs lying overdue for payment, pending outcome of the steps taken for recovery, has been considered good and recoverable.			
16) CASH AND CASH EQUIVALENTS			
Cash in hand			
		24.27	18.07
Cheques in hand			
		3.00	—
Cash at bank			
- Current Accounts		97.04	10.97
Other Bank Balances			
	27		
- Dividend Accounts		5.99	6.00
- Margin Money Deposit (Under Lien)		96.77	79.00
- Fixed Deposit			
(Under Lien- Rs. 205.55, Previous Year Rs. 118.88)		205.55	118.88
		<u>432.62</u>	<u>232.92</u>
a) Fixed deposits held for more than 12 months			
		72.25	0.75
17) SHORT TERM LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Advance to Suppliers:			
	27		
- Considered good		332.56	475.47
- Considered doubtful		87.16	87.16
Less: Provision for doubtful advances		(87.16)	(87.16)
		<u>332.56</u>	<u>475.47</u>
Balances with Government Authorities			
		121.90	66.21
Prepaid Expenses			
		57.54	18.01
Security Deposit with customers			
	27	43.34	19.83
Advance to related parties			
	29 (c)(d)	118.24	146.03
Earnest Money Deposit - considered good			
	27	51.00	30.87
Advance payment of Income Tax,			
Fringe Benefit Tax and Tax Deducted at Source			
		20.62	2.43
Mat Credit Entitlement Receivable			
		86.47	86.47
Other Loans and Advances			
	27	120.65	7.15
		<u>952.32</u>	<u>852.47</u>

Notes to the Financial Statements (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
a)			
<p>During earlier year, the Company was liable to pay Minimum Alternate Tax (MAT) under Sec 115JB of the Income Tax Act, 1961 (the Act) and the amount paid as MAT is allowed to be carried forward for being set-off against the future tax liabilities to the extent credit will be available in terms of the relevant provisions of the Act. Accordingly, as advised in guidance note on "Accounting for credit available in respect of minimum alternate tax under the Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India, Rs 86.47 lacs being the credit available has been carried forward as MAT Credit Entitlement.</p>			
b)			
<p>Other Loans and Advances include Rs104.36 lacs which are under investigation concerning defalcation of Company's fund. Pending completion of reconciliation and other proceedings and determination of amount recoverable thereagainst, steps are being taken for recovery in this regard.</p>			
18) OTHER CURRENT ASSETS			
(Unsecured - considered good unless otherwise stated)			
Deposit with government authorities etc		13.68	13.68
Interest Receivable		<u>27.45</u>	<u>16.36</u>
		<u><u>41.13</u></u>	<u><u>30.04</u></u>

Notes to the Financial Statements (Contd.)

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
19) REVENUE FROM OPERATIONS		
Sale of Products		
Inland	10,793.42	10,315.62
Export	224.07	259.83
Sale of Services	142.17	156.07
Less : Excise Duty on sale of products	(826.72)	(1,069.15)
Less: Service tax on sale of services	—	(1.94)
Net Sales	<u>10,332.94</u>	<u>9,660.43</u>
a) Earnings in foreign exchange FOB value of exports	222.53	259.83
20) OTHER INCOME		
Foreign Exchange Gain	9.64	9.85
Profit on Sale of Fixed Assets	0.03	—
Liabilities no longer required, written back	11.42	—
Interest income	20.10	19.29
Miscellaneous Receipts	2.31	1.16
	<u>43.50</u>	<u>30.30</u>
21) COST OF MATERIAL CONSUMED		
Opening Stock of Raw Material	1,860.45	1,790.03
Add: Purchases	6,004.82	5,574.29
Duty, Landing, Clearing & Freight	133.88	148.39
Less: Sale of scrap	(17.48)	(16.82)
Less: Closing Stock	<u>(1,544.97)</u>	<u>(1,860.45)</u>
	<u>6,436.70</u>	<u>5,635.43</u>
a) Raw Materials Consumed (*)		
Items		
Ferrous Metal	128.32	124.00
Non-Ferrous Metal	109.76	51.38
Stampings	127.45	125.73
Castings	224.61	274.92
Bearings	143.86	100.71
Others**	5,702.70	4,958.69
	<u>6,436.70</u>	<u>5,635.43</u>
* Raw materials consumed are after adjustment including shortage/excess and losses thereagainst.		
** Includes Bio-Toilet items.		
b) Consumption of raw material, spare parts and components		
Imported:		
Amount	227.83	283.48
% of total consumption	3.40%	4.78%
Indigenous:		
Amount	6,470.03	5,644.32
% of total consumption	96.60%	95.22%
TOTAL	<u>6,697.86</u>	<u>5,927.80</u>
c) C.I.F. Value of Imports		
Raw Materials	226.54	246.88
Components and spare parts	1.29	0.10
	<u>227.83</u>	<u>246.98</u>

Notes to the Financial Statements (Contd.)

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
22) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Work in Progress	750.15	725.56
Finished Goods	58.18	73.84
Closing Stock		
Work in Progress	(766.23)	(750.14)
Finished Goods	(31.31)	(58.18)
	<u>10.79</u>	<u>(8.92)</u>
23) EMPLOYEE BENEFIT EXPENSE		
Salaries and Wages (Net)	1,389.47	1,419.31
Contribution to Provident and Other Funds	155.38	118.46
Staff Welfare	125.11	138.91
	<u>1,669.96</u>	<u>1,676.68</u>
a) Managerial remuneration includes Rs 111.58 lacs for the year (Rs 75.17 lacs for the year ended 31st March, 2013) payable to the Managing Director which is pending approval of Central Government.		
b) Salary and Wages is net of refund of Rs 62.10 lacs by the Managing Director pursuant to order dated 29th August, 2013 of Ministry of Corporate Affairs against excess remuneration paid during the period from 1st October, 2009 to 30th September, 2012.		
24) FINANCE COSTS		
Interest	506.69	520.58
Other borrowing costs	82.03	68.97
	<u>588.72</u>	<u>589.55</u>
25) OTHER EXPENSES		
Consumption of Stores	261.16	292.37
Power and Fuel	148.98	150.64
Insurance	8.92	11.25
Rent (Net)	79.02	47.14
Rates & Taxes	41.34	99.08
Selling & Distribution Expenses	62.79	59.00
Commission	54.54	49.26
Business Development Expenses	5.25	4.73
Legal & Professional Expenses	141.34	95.63
Repairs :		
Buildings	2.18	6.38
Plant & Machinery	2.08	2.37
Others	55.03	45.55
Freight & Transport	236.18	202.20
Travelling & Conveyance	180.33	205.29
Postage, Telephone & Stationery	59.36	68.07
Provision for Debtors & Others	77.00	354.16
Bad Debts	76.62	
Less: Provision written-back	(75.00)	
Provision for LD & warranty	10.00	57.76
Provision for LD & warranty written back	(25.26)	(32.50)
Provision for Inventory	220.00	30.00
Royalty	22.18	22.26
Foreign Exchange Loss	3.21	7.07
Bank Charges	20.71	23.71
Loss on Sale of Fixed Assets/Write-off	—	5.07
Miscellaneous expenses	111.18	156.87
	<u>1,779.14</u>	<u>1,963.36</u>

Notes to the Financial Statements (Contd.)

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
a) Payments to the auditors (included in Legal & Professional charges) :		
As auditor	6.00	6.00
For certification and other services	3.35	2.05
	9.35	8.05
b) Expenditure in foreign currency		
Royalty	17.33	22.26
Travelling	9.25	32.74
	26.58	55.00

26) Contingent Liabilities and Commitments

Particulars	As at 31.03.2014	As at 31.03.2013
a) Claims against the Company not acknowledged as debts:		
- Entry/Sales tax matters in dispute	94.90	70.21
- Service Tax matter in appeal (excluding interest & penalty)	54.70	54.70
- demand raised by technology supplier for which the arbitration award is awaited	156.00	156.00
On basis of current status of individual cases, the management is of the view that no provision is required in these cases. Further cash outflow in respect of the items mentioned above is dependant upon outcome of final judgement/decision.		
b) Commitments on Capital Accounts (net of advances):		
Tangible Assets	10.43	16.38

27) Certain debit and credit balances including accounts receivables, trade and other payables and deposits are subject to confirmation and reconciliation. Adjustments required with respect to these will be carried out on ascertainment of amounts thereof.

28) Earning per share

Particulars	Year ended 31.03.14	Year ended 31.03.13
(a) Net Profit/(Net Loss) attributable to equity holders (in Rs. lacs)	(249.72)	(304.05)
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	8,178,299	7,603,299
(c) Basic and Diluted Earnings per share in Rs. (Face value Rs. 10/- per share) (a)/(b)	(3.29)	(4.00)

29) Related Party Disclosures as per AS-18

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

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

(b) Associates:

- i) Odyssey Travels Limited
- ii) Sewand Investments Pvt. Ltd
- iii) Julex Commercial Co Ltd
- iv) ISG Traders Limited
- v) Duncans Industries Limited

(c) Key Management Personnel (KMP)

Mr. A. Mondal : Managing Director & CEO

Mr. S. Goenka : Wholetime Director (upto 14.08.2013)

Notes to the Financial Statements (Contd.)

(B) Details of transactions between the Company and related parties and the outstanding balances as on 31st March, 2014:

a) Transactions with Subsidiaries:

	Year ended 31.03.14	Year ended 31.03.13
Advance Given		
Stone Intermodal Private Limited (Net)	71.19	109.37
Stone Biotech Private Limited (Net)	(24.96)	74.90

b) Transactions with Associate Companies:

	Year ended 31.03.14	Year ended 31.03.13
Julex Commercial Co Ltd		
Service charges	52.21	70.28
Odyssey Travels Ltd.		
Travelling Expenses	15.98	7.08
Duncans Industries Limited		
Reimbursement of expenses	1.41	—
ISG Traders Limited		
Issue of share warrant	87.50	—
Issue of equity share against share warrant	75.47	—

c) Transactions with key management personnel:

	Year ended 31.03.14	Year ended 31.03.13
Remuneration		
Mr. A. Mondal	88.18 *	138.27
Mr. S. Goenka (upto 14.08.2013)	14.09	36.00

* Net of Rs 62.10 lacs refunded during the year (Note 23 b)

d) Balances with above related parties :

Name	As at 31.03.14	As at 31.03.13
Associate Companies		
Seward Investments Private Limited (Payable)	0.10	0.10
Julex Commercial Co Ltd (Payable)	66.14	57.53
Subsidiaries		
Stone Intermodal Private Limited (Advance)	1,006.99	935.80
Stone Biotech Private Limited (Advance)	118.24	143.20

Notes:

- i) In respect of above parties, there is no provision for doubtful debts as on 31st March 2014 and no amount has been written off or written back during the year in respect of debts due from/to them.
- ii) The above Related Parties information is as identified by the Management and relied upon by the auditors.

Notes to the Financial Statements (Contd.)

30) Employee Benefits:

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

a) Defined Contribution Scheme :

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

Employer's Contribution to Provident Fund – Rs. 90.48 (Previous Year Rs. 48.54)

Employer's Contribution to Pension Fund – Rs. 24.87 (Previous Year Rs. 25.26)

Employer's Contribution to Superannuation Fund – Rs. 11.98 (Previous year Rs. 12.11)

Contribution towards Employees provident fund to company's own trust including shortfall with respect to interest on investments and that payable to employees, pending actuarial determination has fully been provided for in the accounts.

b) Defined Benefit Scheme

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

Particulars	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Non-Funded)	Leave Encashment (Non-Funded)
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
1 Current Service Cost	26.25	23.10	28.48	24.99
2 Interest Cost	29.48	28.63	11.89	10.77
3 Expected return on plan assets	(23.66)	(23.41)	—	—
4 Past Service Cost *	—	—	—	—
5 Actuarial Losses/(Gains)	(7.97)	(0.17)	(38.54)	(2.24)
Total Expenses	24.10	28.15	1.83	33.52
Change in the obligation during the year ended March 31, 2014				
1 Present value of Defined Benefit Obligation at the beginning of the year	384.56	333.00	151.04	133.06
2 Current Service Cost	26.25	23.10	28.48	24.99
3 Interest Cost	29.48	28.63	11.89	10.77
4 Benefit Paid	(41.22)	—	(8.48)	(15.54)
5 Actuarial (Gains)/Losses	(7.97)	(0.17)	(38.54)	(2.24)
6 Planned Amendment Cost *	—	—	—	—
Present value of Defined Benefit Obligation at the end of the year	391.10	384.56	144.39	151.04
Change in Assets during the year ended March 31, 2014				
1 Plan Assets at the beginning of the year	283.53	260.12	—	—
2 Contribution by Employer	—	—	8.48	15.54
3 Expected return on plan assets	23.66	23.41	—	—
4 Benefit Paid	(41.22)	—	(8.48)	(15.54)
5 Actuarial Gains/(Losses)	—	—	—	—
Plan Assets at the end of the year	265.97	283.53	—	—

Notes to the Financial Statements (Contd.)

Particulars	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Non-Funded)	Leave Encashment (Non-Funded)
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2012				
1 Net Asset/(Liability) at beginning of the year	(101.03)	(72.88)	(151.04)	(133.06)
2 Employer Expenses	(24.10)	(28.15)	(1.83)	(33.52)
3 Employer Contributions/Payment	—	—	8.48	15.54
4 Net Asset/(Liability) at the end of the year	(125.13)	(101.03)	(144.39)	(151.04)
Actuarial Assumptions				
1 Discount Rate	9.25%	8.10%	9.25%	8.10%
2 Expected Rate of Return on Plan Assets	9.00%	9.00%	—	—

Note:

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

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

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

Particulars	Gratuity (Funded)				
	31/03/2014	31/03/2013	31/03/2012	31/03/2011	31/03/2010
Present Value of Defined Benefit Obligation	391.10	384.56	333.00	258.43	211.57
Fair Value of Plan Assets	265.97	283.53	260.12	231.05	209.23
Surplus /(Defecit)	(125.13)	(101.03)	(72.88)	(27.38)	(2.34)
Experience Adjustments on Plan Liabilities - (Loss)/Gain	27.94	15.41	(10.50)	(24.23)	(8.91)
Experience Adjustments on Plan Assets - (Loss)/Gain	—	—	(5.74)	(6.17)	15.48

Particulars	Leave (Non Funded)				
	31/03/2014	31/03/2013	31/03/2012	31/03/2011	31/03/2010
Present Value of Defined Benefit Obligation	144.39	151.04	133.06	(102.58)	77.91
Experience Adjustments on Plan Liabilities - (Loss)/Gain	25.51	8.53	(13.17)	(29.55)	(10.69)

Notes to the Financial Statements (Contd.)

- 31) The Company is engaged primarily in the business of "Rail Products" and all other activities are incidental thereto. The Company's Bio-Toilet venture is in the process of implementation. 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.
- 32) All the numerical figures stated hereinabove has been expressed in terms of Rs. in lacs
- 33) Previous year's figures have been re-arranged/re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

R.P. Singh
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of STONE INDIA LIMITED

On the Consolidated Financial Statements of Stone India Limited and its Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of STONE INDIA LIMITED ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- (a) In respect of Rental demands from Kolkata Port Trust on the Company amounting to Rs.228.97 lacs, pending decision of the Court exact status of the liability and amount payable has not been ascertained; (Note 9(b))
- (b) Payment of managerial remuneration amounting to Rs.186.75 lacs (including Rs.111.58 lacs for the year) is subject to approval of the Central Government; (Note 23(a))
- (c) Stocks lying at different locations as stated in the Note No. 14(c) are under reconciliation. Pending this, the provision of Rs.250 lacs has been made, the adequacy of which and consequential adjustments arising in this respect cannot be ascertained and commented upon by us;
- (d) Certain debit/credit balances including certain overdue balance of debtors as given in note no. 15(b) are subject to confirmation/ reconciliation and the consequential adjustments thereof has not been determined; (Note 27)
- (e) Details regarding Micro, Small and Medium Enterprise are not available and as such required disclosure in this respect could not be given; (Note 8(a))
- (f) Advances include Rs.104.36 lacs under investigation, impact whereof as such could not be commented upon pending completion of proceedings; (Note 17(b))
- (g) In respect of the Rail Runner Project undertaken by one of the subsidiary of the Company, the state of the preoperative and other costs incurred for the same and carried forward as Capital Work In Progress and consequential impact including those which are of revenue in the nature to be shown in the statement of Profit & Loss Account, has presently not been determined and as such cannot be commented upon by us (Note 11(7)(c)).

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matter described in the Basis for Qualified Opinion paragraph effects whereof cannot be ascertained and commented upon, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (ii) In the case of the Consolidated Profit and Loss Account, of loss for the year ended on that date; and
- (iii) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

R. P. Singh
Partner
Membership No: 52438

Place : Kolkata
Date : 30th May, 2014

Statement of Profit & Loss (Consolidated) for the year ended 31st March, 2014

(Rs. in lacs)

	Note No.	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Revenue from operations	19	10,451.14	9,762.83
Other Income	20	43.50	30.30
Total Revenue		10,494.64	9,793.13
Expenses			
Cost of Materials Consumed	21	6,462.04	5,656.71
Changes in inventories of finished goods, work in progress and Stock-in- trade	22	4.40	(9.26)
Employee benefits expense	23	1,715.08	1,733.98
Finance Costs	24	588.72	654.09
Depreciation and amortization expense	11	277.98	282.00
Other expenses	25	1,813.09	1,947.58
Total Expenses		10,861.31	10,265.10
Profit before tax		(366.67)	(471.97)
Tax expense:			
(1) Current tax		—	—
(2) Mat Credit Entitlement		—	—
(3) Deferred tax	5	(127.14)	(137.63)
(4) Income tax relating to earlier years		—	—
Profit/(Loss) for the period		(239.53)	(334.34)
Minority Interest	3(a)	—	(8.84)
Net Profit/(Loss) for the year		(239.53)	(325.50)
Earnings per equity share (Rs):			
(1) Basic		(3.29)	(4.28)
(2) Diluted		(3.29)	(4.28)
Significant Accounting Policies	1		

Significant Accounting Policies (Note 1) and other accompanying notes form an integral part of these consolidated financial statements.

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

For **LODHA & COMPANY**
Chartered Accountants

R.P. SINGH
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka Chairman
S. Ray Director
I. Sen Director
A. Mondal Managing Director & CEO
S. Goswami Sr. Vice President & CFO
A. Majumdar Company Secretary

Balance Sheet (Consolidated) as at 31st March, 2014

(Rs. in lacs)

	Note No.	As at 31st March, 2014	As at 31st March, 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	2	817.83	760.33
(b) Reserves and surplus	3	2,720.97	2,917.36
(c) Money received against Share Warrants	3B	62.34	—
Minority Interest	3(a)	—	—
(2) Non-current liabilities			
(a) Long-term borrowings	4	333.52	646.48
(b) Other Long term liabilities	6A	824.01	710.16
(c) Long-term provisions	6B	266.52	276.07
(3) Current liabilities			
(a) Short-term borrowings	7	2,729.53	2,495.40
(b) Trade payables	8	2,391.04	2,272.83
(c) Other current liabilities	9	1,888.18	1,643.79
(d) Short-term provisions	10	53.84	42.10
TOTAL		12,087.78	11,764.52
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	3,654.31	3,809.62
(ii) Intangible assets	11	22.56	30.04
(iii) Capital WIP		1,486.57	1,387.95
(b) Non-current investments	12	0.03	0.03
(c) Deferred Tax Asset (Net)	5	144.17	17.03
(d) Long-term loans and advances	13	330.13	221.80
(2) Current assets			
(a) Inventories	14	2,110.89	2,650.75
(b) Trade receivables	15	3,019.93	2,508.35
(c) Cash and cash equivalents	16	435.58	241.54
(d) Short-term loans and advances	17	842.48	867.37
(e) Other current assets	18	41.13	30.04
TOTAL		12,087.78	11,764.52
Significant Accounting Policies	1		

Significant Accounting Policies (Note 1) and other accompanying notes form an integral part of these consolidated financial statements.

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

For LODHA & COMPANY
Chartered Accountants
R.P. SINGH
Partner

 Place: Kolkata
Date: 30th May, 2014

For and on behalf of STONE INDIA LIMITED

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March, 2014

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
Net Profit/ (Loss) before tax and after exceptional items	(366.67)	(471.97)
Adjustment For :-		
Depreciation	277.99	282.00
Obsolete Asset written-off	7.22	—
(Profit)/Loss on sale of Fixed Assets	(0.03)	5.07
Interest Income	(20.10)	(19.29)
Interest expense	588.72	654.08
Provision for doubtful debts	77.00	267.00
Provision for advances	—	87.16
Provision for LD & Warranty	10.00	57.76
Provision for LD & Warranty written back	(25.26)	(32.50)
Foreign Exchange Fluctuation Gain	—	(2.78)
Liability no longer required written back	(11.42)	—
Provision for inventory	220.00	30.00
Operating Profit/(loss) before working capital changes	757.45	856.53
Adjustment For :-		
Trade & other receivables	(647.08)	929.55
Inventories	319.87	(79.66)
Long-Term liabilities	8.14	—
Trade & other payables	379.08	(667.71)
	817.46	1,038.71
Foreign Exchange Fluctuation loss (net of gain)	—	2.78
Cash generated from/(used in) operating activities	817.46	1,041.49
Taxes (paid)/Refund received	(19.10)	1.77
Net Cash generated from/ (used in) Operating Activities	798.36	1,043.26
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(122.65)	(493.28)
Sale of Fixed Assets	0.29	6.77
Decrease/(Increase) in Capital Work in Progress	(98.62)	(111.03)
Interest Received	20.10	26.64
Net Cash generated from/(used in) Investment Activities	(200.88)	(570.90)

Consolidated Cash Flow Statement for the year ended 31.03.2014

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
CASH FLOW FROM FINANCING ACTIVITIES		
Advance from holding Company		
Interest paid	(588.72)	(654.08)
Issue of Shares	100.62	8.00
Issue of Share Warrants	62.34	—
Development Grant received from DSIR	100.00	—
Increase/(Decrease) in borrowings	(77.68)	55.93
Net Cash generated from/(used in) Financing Activities	(403.44)	(590.15)
Net Increase/(decrease) In Cash & Cash equivalents	194.04	(117.79)
Cash & Cash equivalents at beginning	241.54	359.33
Cash & Cash equivalents at closing	435.58	241.54
Net Increase/(decrease) in cash & cash equivalents	194.04	(117.79)

Notes :

- 1) Cash and Cash equivalents include Rs 302.32 (Previous year Rs 197.88) which are under lien or are not freely available.
- 2) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements.
- 3) Previous year's figures have been rearranged, where necessary.

As per our attached report of
even date

For **LODHA & COMPANY**
Chartered Accountants

R.P. SINGH
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka	Chairman
S. Ray	Director
I. Sen	Director
A. Mondal	Managing Director & CEO
S. Goswami	Sr. Vice President & CFO
A. Majumdar	Company Secretary

Note 1
SIGNIFICANT ACCOUNTING POLICIES
(a) Principles of Consolidation

- (i) The Consolidated Financial Statements of Stone India Limited ("the Company") and the Subsidiary Company ("Subsidiary") have been prepared in accordance with Accounting Standard (AS 21) on "Consolidated Financial Statements". The basis of preparation of the Consolidated Financial Statements is as follows:
- The financial statements (the Balance Sheet and the Profit & Loss Account) of the Company and the Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions if any and the resulting unrealized profits or losses.
 - The financial statement of the subsidiary used in the consolidation is drawn upto 31st March, 2014, the same reporting date as that of the Company.
- (ii) The Subsidiary which has been included in this Consolidated Financial Statements along with the Company's holdings therein are under:

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

(b) Basis of Preparation of Financial Statements :

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

(c) Sales:

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

(d) Employee benefits:

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

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

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

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

(e) Fixed Assets and Depreciation :

- a) Fixed Assets are stated at cost less depreciation. Depreciation is provided on Straight Line Method as indicated in Note 11 to the Accounts. Leasehold land is amortized over the period of lease. However, Bio-Toilets (Rented out) have been depreciated @ 20% based on an estimated useful life of 5 years.
- 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.

(f) Impairment:

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

(g) Inventories:

- a) Inventories are valued at the lower of cost or estimated net realizable value. Cost is determined on first in first out method of valuation.
- b) Cost of raw materials and bought out components are determined on the basis of first in first out method of valuation.

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

- 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.

(h) Taxes on income:

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

(i) Investments:

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

(j) Foreign Currency:

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

(k) Government Grants:

Government grants are recognized as capital or revenue depending upon the purpose and utilization of the proceeds thereagainst. Revenue grants including subsidy/rebates etc are credited to the Statement of Profit or Loss under "other income" or deducted from the related expenses. Grants relating to Fixed Assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be.

(l) Borrowing Costs:

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

(m) Finance Lease:

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

(n) Provision for liquidated damages and warranty costs:

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

(o) Use of Estimates, Provisions, Contingent Liabilities and Contingent Assets:

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

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

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

(p) Expenditure during construction period:

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

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
2) SHARECAPITAL			
a) AUTHORISED: 100,00,000 Equity Shares of Rs. 10/- each		1,000.00	1,000.00
b) ISSUED: 82,42,963 (Previous year 76,76,963) Equity Shares of Rs. 10/- each		824.30	766.80
c) SUBSCRIBED AND FULLY PAID UP: 81,71,499 (Previous year 75,96,499) Equity Shares of Rs. 10/- each	3B	817.15	759.65
d) SUBSCRIBED AND NOT FULLY PAID UP: 13,600 (Previous year 13,600) Equity Shares of Rs. 10/- each against which Rs 5/- paid on application and forfeited	3B	0.68	0.68
TOTAL		817.83	760.33
e) Reconciliation of number of shares outstanding at the beginning and at the end of the year		No. of shares	No. of shares
Equity shares at the beginning of the year (fully paid up)	3B	7,596,499	7,610,099
Add: Issued against Share Warrants		575,000	—
		8,171,499	7,610,099
f) Shareholders holding more than 5% shares			
Name of Shareholder			
Continuous Forms (Calcutta) Limited		1,113,352	1,113,352
ISG Traders Limited		1,517,302	942,302
g) Terms and rights attached to equity shares:			
The Company has one class of equity shares having par value of Rs. 10/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation the equity shareholders are eligible to receive the remaining assets after discharging all liabilities of the Company, in proportion to their shareholding.			
3) RESERVES AND SURPLUS			
Capital Investment Subsidy Reserve		20.00	20.00
Other Reserve		0.53	0.53
Securities Premium account :			
Balance beginning of the year		1,074.57	1,074.57
Add: Addition during the year	3B	43.12	—
Balance end of the year		1,117.69	1,074.57
General Reserve :			
Balance as per last account		595.57	595.56
Surplus			
Opening Balance		1,226.70	1,544.20
Add: Profit/(Loss) for the year transferred from Statement of Profit & Loss	3(a)	(239.53)	(317.50)
Balance at the end of the year		987.17	1,226.70
		2,720.96	2,917.36
a) Share of minority shareholder against current year profit has been allocated against carried forward losses and no allocation in this respect as such has been allocated to minority shareholders.			

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

3B) MONEY RECEIVED AGAINST SHARE WARRANTS	Ref Note No.	As at 31st March, 2014	As at 31st March, 2013
1,425,000 Warrants at an amount equivalent to 25% of the warrant price of Rs 17.50 each		62.34	—

The Company has allotted 20,00,000 Warrants on a preferential basis to ISG Traders Limited, a Promoter Group Company on 17th October, 2013 entitling the allottee to apply for and obtain allotment in one or more tranches one Equity Share of Rs.10/- each at a price of Rs.17.50 per share against each such Warrant within 18 months from the date of allotment. Out of above, 5,75,000 equity shares of Rs 10 at a premium of Rs 7.50 each has been subscribed and allotted on 31st March, 2014, leaving a balance of 14,25,000 warrants which have been shown as above.

4) LONG TERM BORROWINGS

(Secured)

Term Loan from Indian Overseas Bank	305.21	606.38
Vehicle Loan	28.31	40.10
	333.52	646.48

a) Term Loan from Indian Overseas Bank is secured by exclusive 1st charge on entire plant and machinery and other moveable fixed assets of the Company and equated mortgage of land and building of Nalagarh unit and 2nd pari passu charge on all the current assets of the Company both present & future and is repayable in 60 monthly instalments of Rs. 11.70 each starting from 30th June, 2011 (increased to Rs. 12.39 from November, 2011) and 52 monthly instalment of Rs. 11.73 each starting from February, 2012.

b) Vehicle Loan is secured by hypothecation of vehicles and are repayable in 60 monthly instalments of Rs 0.77 starting from April 2012 and 60 monthly instalments of Rs 0.53 starting from May 2012.

c) Current maturities of above loans have been shown under note 9

5) DEFERRED TAX LIABILITIES (NET)

(Rs. in lacs)

	Opening		(Charge)/credit for the year ended		Closing Balance	
	As on 01.04.13	As on 01.04.12	31.03.2014	31.03.2013	As on 31.03.14	As on 31.03.13
Deferred Tax Assets :						
Unabsorbed Depreciation	21.57	26.04	11.61	(4.47)	33.18	21.57
Provision for Doubtful Debts & Advances	117.53	—	0.64	117.53	118.17	117.53
Provision for LD & Warranty	—	—	16.50	—	16.50	—
Provision for Inventory	—	—	81.13	—	81.13	—
Provision for leave	49.01	43.17	(2.16)	5.84	46.85	49.01
Provision for gratuity	32.78	23.64	7.82	9.14	40.60	32.78
	220.89	92.85	115.54	128.04	336.43	220.89
Deferred Tax Liabilities :						
Depreciation Difference	(203.86)	(213.44)	11.60	9.58	(192.26)	(203.86)
Net Deferred Tax Asset/(Liabilities)	17.03	(120.59)	127.14	137.62	144.17	17.03

6A) OTHER LONG TERM LIABILITIES

Development Grant Received for BTS	244.00	144.00
Security Deposit	17.29	20.19
Advance received	468.25	451.50
Other liabilities	94.47	94.47
	824.01	710.16

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	Ref Note No.	As at 31st March, 2014	As at 31st March, 2013
a) The development grant including Rs 100.00 received during the year is for financial support from 'Department of Scientific & Industrial Research' (DSIR) for design and development of 'Biological Toilet System' (BTS) (Product) under TDDP release and to be utilized for equipments and other related parts for the said project.			
In terms of agreement with DSIR, the Company is required to pay annual royalty in lumpsum @26% of the grant so received to National Research Development Corporation (NRDC) on behalf of DSIR for a period of five years from the start of commercial sale of the product. Pending commencement of the commercial operation, no adjustment with respect to the royalty in terms of the agreement has been considered necessary.			
In respect of demand for increase in rentals amounting to Rs. 228.97 (Previous year Rs 228.97) on leasehold land from Calcutta Port Trust in the earlier years, consequent to Special Leave Petition in Hon'ble Supreme Court filed against the same, the matter has been referred back to the Hon'ble Calcutta High Court for a fresh decision on merit. Pending decision of the Court, payments are being made as per the directions received in this respect and provision of Rs. 94.47 made thereagainst in earlier years has been considered adequate by the management and included under 'Other Liabilities'. Adjustments required in this respect will be given effect to as finally determined			
6B) LONG TERM PROVISIONS			
Provision for Gratuity		125.13	101.03
Provision for Leave		141.39	151.04
Provision for LD & Warranty		—	24.00
		266.52	276.07
7) SHORT TERM BORROWINGS			
Cash Credit from Banks		2,729.53	2,495.40
		2,729.53	2,495.40
a) 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 movable fixed assets in Kolkata unit of the Company on a pari passu basis			
8) TRADEPAYABLES	27		
Acceptances		305.40	149.59
Trade Payables		2,085.64	2,123.24
		2,391.04	2,272.83
a) Necessary information from the suppliers required under Micro, Small and Medium Enterprise Development Act, 2006 were not available and as such the disclosure as required in Section 22 of the said Act could not be given in these accounts.			

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
9) OTHER CURRENT LIABILITIES			
Current maturities of long term debt (Secured)	4	289.44	300.09
Current maturities of vehicle loan (Secured)	4	11.81	-
Book Overdraft		41.69	5.50
Dues to employees		133.64	56.10
Dues to related parties	29	66.24	-
Statutory dues		441.35	524.48
Advance from Customers	27	53.33	-
Other Liabilities	27	844.16	751.53
Unpaid Dividend		5.25	5.25
Interest accrued but not due		1.27	0.35
		<u>1,888.18</u>	<u>1,643.79</u>

a) Other liabilities include unbilled procurements, services, expenses etc

b) The Company has made full provision for dues to the ESI authorities arising out of the ESI Central – 2nd Amendment Rules, 1996 which has not been deposited with the ESI authorities because of a stay order issued by the Hon'ble Calcutta High Court on 25 April, 1997. Pending final decision and determination of liability in this respect, Rs 51.96 has been provided and included under Other Liabilities.

10) SHORT TERM PROVISIONS

Provision for Leave	3.00	—
Provision for LD & Warranty	50.84	42.10
	<u>53.84</u>	<u>42.10</u>

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

Particulars	Opening Balance as on 01.04.13	Further provision during the year	Provision Adjusted during the year	Closing balance as on 31.03.14
Provision for liquidated damages & warranties	66.10	10.00	(25.26)	50.84
Previous year	40.84	57.76	(32.50)	66.10

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

Note 11 - FIXED ASSETS

	(Rs in lacs)												
	Gross Block At Cost				Impairment			Depreciation			Net Block		
	Asat 01.04.13	Additions during the year ended 31.03.14	Sales/ Adjustment for the year ended 31.03.14 (at Cost)	Sales/ Adjustment for the year ended 31.03.14 (revalued Figure)	Asat 31.03.14	Asat 01.04.13	For the year ended 31.03.14	Asat 31.03.14	Sales/ Adjustment for the year ended 31.03.14 (revalued Figure)	For the year ended 31.03.14	Asat 31.03.14	Asat 31.03.13	
A. TANGIBLE ASSETS:													
Leasehold Land & Buildings	162.02	-	-	-	162.02	-	-	-	-	2.72	56.84	105.18	107.89
Freehold Land & Buildings	124.29	-	-	-	124.29	-	-	-	-	2.00	22.22	102.07	104.06
Freehold Land at Buddy	128.41	-	-	-	128.41	-	-	-	-	-	-	128.41	128.41
Freehold Building at Buddy	428.37	-	-	-	428.37	-	-	-	-	6.98	32.42	395.95	402.93
Plant & Machinery	4,839.65	95.49	-	-	4,935.14	241.00	-	241.00	-	178.15	2,085.80	2,608.34	2,691.00
Furniture Fittings & Electrical Installations	553.68	10.14	0.37	-	563.45	-	-	-	0.11	31.31	445.05	118.40	139.83
Vehicles	7.88	-	-	-	7.88	-	-	-	-	-	7.88	-	-
Tools	293.49	4.94	-	-	298.43	-	-	-	-	26.04	185.06	113.37	134.47
Leasehold Vehicle	65.79	-	-	-	65.79	-	-	-	-	6.25	11.91	53.88	60.13
Biological Toilets (Rented-out)	46.38	4.82	14.91	-	36.29	-	-	-	7.69	9.79	7.58	28.71	40.90
B. INTANGIBLE ASSETS:													
Technical Know How	79.67	-	-	-	79.67	-	-	-	-	-	79.67	-	-
Computer Software	100.29	7.26	-	-	107.55	-	-	-	-	9.46	90.36	17.19	19.39
In-house Technology	20.57	-	-	-	20.57	-	-	-	-	5.14	15.44	5.13	10.27
Web Designing	0.55	-	-	-	0.55	-	-	-	-	0.14	0.31	0.24	0.38
Total	6,851.04	122.65	15.28	-	6,958.41	241.00	-	241.00	7.80	277.98	3,040.54	3,676.87	3,839.66
Capital Work in Progress												1,486.57	1,387.95
Previous Year	6,381.02	493.28	23.26	-	6,851.04	241.00	-	241.00	11.44	282.00	2,770.35	5,163.44	5,227.61

1. The Deed of Conveyance/Registration relating to building at Gopalpur, Orissa is in the process of being executed by the Company and the stamp duty payable in respect thereof will be accounted for on assessment. However, the said property is in the possession of the Company.
2. Freehold land & building includes flat at New Delhi (Gross Value Rs. 9,499, WDV as at 31st March 2014 and 31st March 2013: Rs. 7,648 and Rs. 7,901, respectively) in which the Company has one-third ownership share and is in the Company's joint possession.
3. Furniture, fittings and Electrical installations includes computer & computer peripherals.

Note 11 - FIXED ASSETS (Contd.)

4. Depreciation on Fixed Assets has been provided on straight line method from the date these are put to use at specified rates as under:

	Year Ended 31.03.2014	Year Ended 31.03.2013
Freehold Buildings	1.63%	1.63%
Leasehold Factory Buildings	3.34%	3.34%
Leasehold Office Buildings	1.63%	1.63%
Plant & Machinery :		
Single Shift	4.75%	4.75%
Used in manufacture of Electronic Goods - Single shift	5.38%	5.38%
Furniture & Fittings	6.33%	6.33%
Office Equipment	13.91%	13.91%
Airconditioner	13.91%	13.91%
Computer	16.21%	16.21%
Electrical Installation	13.91%	13.91%
Cycles	7.07%	7.07%
Other Vehicles	9.50%	9.50%
Technical Knowhow Fees	25.00%	25.00%
Tools	11.31%	11.31%

* Items below Rs. 0.05 each have been depreciated @ 100%

5. Carrying value of Fixed Assets of the colour monitor unit at Kustia Road being affected due to obsolescence was considered for impairment as on 01.04.2004 and Rs 241.00 equivalent to the entire book value of the fixed assets was considered as an impairment loss in the said financial year.
6. Certain Plant & Machinery and Land & Building of the Company as on 31st January, 2001 and 1st January, 2007 was revalued by the approved valuer on Net Replacement Cost basis and Fair Value basis respectively and increase in value by Rs 424965 arising therefrom was added to the Gross Block of the respective year.
7. Capital Work-in-progress includes the following pre-operative expenses pending allocation incurred by the holding Company and allocated for development of product for "Rail Runner Project" under implementation by the Company:

	For the year ended 31.03.14	For the year ended 31.03.13
Opening Balance	1,387.95	1,276.91
Salary, Wages & Bonus	18.86	55.76
Contribution to provident fund	0.14	0.80
Rates & taxes	-	-
Professional Charges	1.69	45.52
Audit Fees	-	0.50
Staff Welfare Expenses	-	3.91
Travelling & Conveyance	-	0.32
Interior Decoration	-	-
Misc. Charges	-	0.97
Registration fees to RDSO	-	-
Purchase of Fixed Assets	-	-
Technical knowhow from Rail Runner	77.67	3.18
Bank charges on foreign remittance	0.26	-
Foreign exchange loss	-	-
Purchase of material	-	0.10
TOTAL	1,486.57	1,387.95

- a) The above expenses will be given effect to depending upon nature thereof, on completion of the project.
- b) The expenses incurred other than those related to formation expenses have been included under capital work-in progress.
- c) The Rail Runner project undertaken by wholly owned subsidiary of the Company continues to be under implementation. Pending completion of the project and development of the related product, various expenses incurred and allocated for the development of the project, advances thereagainst, etc. have been carried forward under Capital Work in Progress. Necessary adjustment with respect to the amounts so carried forward including those required to be recognised as revenue will be carried out on completion of the project or development of the product.

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

		(Rs in lacs)	
	Ref. Note No.	As at 31 st March, 2014	As at 31 st March, 2013
12) NON CURRENT INVESTMENTS			
UNQUOTED - AT COST (Other than Trade)			
Investment in Debentures			
1/2% Debentures of Woodlands Hospital & Medical Research Centre Ltd.		0.03	0.03
		<u>0.03</u>	<u>0.03</u>
13) LONG TERM LOANS AND ADVANCES			
(Unsecured - considered good unless otherwise stated)			
Capital Advance		288.69	288.69
Advance to related parties	29(c)(d)	—	(142.95)
Earnest Money Deposit	27		
- Considered good		—	35.55
- Considered doubtful		65.20	65.20
Less : Provision for Doubtful Earnest Money Deposit		(65.20)	(65.20)
Security Deposit	27	41.44	40.51
		<u>330.13</u>	<u>221.80</u>
a) Rs 288.69 paid for acquiring technical knowhow, pending implementation thereof, has been shown as capital advance.			
14) INVENTORIES			
Raw Materials		1,544.97	1,860.45
Work in Progress		784.61	762.12
Finished Goods		31.31	58.18
		<u>2,360.89</u>	<u>2,680.75</u>
Less: Provision for inventory		250.00	30.00
		<u>2,110.89</u>	<u>2,650.75</u>
a) Work-in-Progress is arrived at after conversion of stocks at various stages of completion to equivalent completed production hours and have been valued at normal labour hour rates and allocated overheads apart from the material cost.			
b) The valuation of both finished stock and work-in-progress includes allocable production overheads. The production overhead has been allocated on actual/pro-rata basis based on Management estimates of their direct or indirect linkage with production. As conversion to equivalent completed production hours and allocation as above is based on management's technical estimates, the auditors have relied upon the same.			
c) Stocks lying with third parties and at certain locations are under reconciliation at the year-end and pending consequential adjustments, if any, arising in this respect, provision of Rs 250.00 has been made in these accounts.			
15) TRADE RECEIVABLES	27		
(Unsecured – considered good unless otherwise stated)			
Over Six Months			
- Considered good		456.60	372.25
- Considered Doubtful		277.00	275.00
Other debts			
- Considered good		2,563.32	2,136.10
Less: Provision for doubtful debts		(277.00)	(275.00)
		<u>3,019.93</u>	<u>2,508.35</u>

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	Ref Note No.	As at 31st March, 2014	(Rs. in lacs) As at 31st March, 2013
a) Due date of 30 days have been considered as the general term for all debtors.			
b) Debtors balances of Rs. 289.00 lying overdue for payment, pending outcome of the steps taken for recovery, has been considered good and recoverable.			
16) CASH AND CASH EQUIVALENTS			
Cash in hand		25.30	19.12
Cheques in hand		3.00	—
Cash at bank			
- Current Accounts		98.97	18.53
Other Bank Balances	27		
- Dividend Accounts		5.99	6.00
- Margin Money Deposit (Under Lien)		96.77	79.00
- Fixed Deposit (Under Lien - Rs. 205.55, Previous Year Rs. 118.88)		205.55	118.88
		<u>435.58</u>	<u>241.53</u>
a) Fixed deposits held for more than 12 months		72.25	0.75
17) SHORT TERM LOANS AND ADVANCES (Unsecured – considered good unless otherwise stated)			
Advance to Suppliers:	27		
- Considered good		338.50	487.18
- Considered doubtful		87.16	87.16
Less: Provision for doubtful advances		<u>(87.16)</u>	<u>(87.16)</u>
		338.50	487.18
Balances with Government Authorities		121.90	66.21
Prepaid Expenses		57.54	18.01
Security Deposit with customers	27	43.34	19.83
Advance to related parties	29(c)(d)	—	146.03
Earnest Money Deposit - considered good		51.04	30.91
Advance payment of Income Tax, Fringe Benefit Tax and Tax Deducted at Source		22.61	3.51
Mat Credit Entitlement Receivable		86.47	86.47
Other Loans and Advances	27	121.08	9.22
		<u>842.48</u>	<u>867.37</u>
a) During earlier year, the Company was liable to pay Minimum Alternate Tax (MAT) under Sec 115JB of the Income Tax Act, 1961 (the Act) and the amount paid as MAT is allowed to be carried forward for being set-off against the future tax liabilities to the extent credit will be available in terms of the relevant provisions of the Act. Accordingly, as advised in guidance note on "Accounting for credit available in respect of minimum alternate tax under the Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India, Rs. 86.47 being the credit available has been carried forward as MAT Credit Entitlement.			
b) Other Loans and Advances include Rs104.36 lacs which are under investigation concerning defalcation of Company's fund. Pending completion of reconciliation and other proceedings and determination of amount recoverable thereagainst, steps are being taken for recovery in this regard.			
18) OTHER CURRENT ASSETS (Unsecured – considered good unless otherwise stated)			
Deposit with government authorities etc.		13.68	13.68
Interest Receivable		27.45	16.36
		<u>41.13</u>	<u>30.04</u>

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
19) REVENUE FROM OPERATIONS		
Sale of Products		
Inland	10,850.25	10,374.93
Export	224.07	259.82
Sale of Services	210.98	202.97
Less : Excise Duty on sale of products	(826.72)	(1,072.96)
Less: Service tax on sale of services	(7.44)	(1.94)
Net Sales	<u>10,451.14</u>	<u>9,762.82</u>
20) OTHER INCOME		
Foreign Exchange Gain	9.64	9.85
Profit on Sale of Fixed Assets	0.03	—
Liabilities no longer required, written back	11.42	—
Interest income	20.10	19.29
Miscellaneous Receipts	2.31	1.16
	<u>43.50</u>	<u>30.30</u>
21) COST OF MATERIAL CONSUMED		
Opening Stock of Raw Material	1,860.45	1,790.03
Add: Purchases	6,034.98	5,595.57
Duty, Landing, Clearing & Freight	133.88	148.39
Less: Capitalised during the year	(4.82)	—
Less: Sale of scrap	(17.48)	(16.82)
Less: Closing Stock	<u>(1,544.97)</u>	<u>(1,860.45)</u>
	<u>6,462.04</u>	<u>5,656.71</u>
22) CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stock		
Work in Progress	762.14	729.42
Finished Goods	58.18	81.63
Closing Stock		
Work in Progress	(784.61)	(762.14)
Finished Goods	<u>(31.31)</u>	<u>(58.17)</u>
	<u>4.40</u>	<u>(9.26)</u>
23) EMPLOYEE BENEFIT EXPENSE		
Salaries and Wages (Net)	1,434.59	1,476.60
Contribution to Provident and Other Funds	155.38	118.47
Staff Welfare	125.11	138.91
	<u>1,715.08</u>	<u>1,733.98</u>
a) Managerial remuneration includes Rs 111.58 lacs for the year (Rs 75.17 lacs for the year ended 31st March, 2013) payable to the Managing Director which is pending approval of Central Government.		
b) Salary and Wages is net of refund of Rs 62.10 lacs by the Managing Director pursuant to order dated 29th August, 2013 of Ministry of Corporate Affairs against excess remuneration paid during the period from 1st October, 2009 to 30th September, 2012.		
24) FINANCE COSTS		
Interest	506.69	520.58
Other borrowing costs	82.03	133.50
	<u>588.72</u>	<u>654.08</u>

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

	For the Year ended 31.03.14	(Rs. in lacs) For the Year ended 31.03.13
25) OTHER EXPENSES		
Consumption of Stores	266.51	296.29
Power and Fuel	148.98	150.64
Insurance	8.92	11.26
Rent (Net)	79.02	47.14
Rates & Taxes	42.20	34.80
Selling & Distribution Expenses	71.56	59.00
Commission	54.54	49.26
Business Development Expenses	5.25	19.22
Legal & Professional Expenses	143.86	105.03
Repairs :		
Buildings	2.18	6.38
Plant & Machinery	2.92	2.37
Others	55.03	47.23
Freight & Transport	238.26	204.95
Travelling & Conveyance	184.03	219.40
Postage, Telephone & Stationery	59.69	68.70
Provision for debtors & Others	77.00	354.16
Bad Debts	7,662	
Less: Provision written-back	<u>(7,500)</u>	—
Provision for LD & warranty	10.00	57.76
Provision for LD & warranty written back	(25.26)	(32.50)
Provision for Inventory	220.00	30.00
Royalty	22.18	22.26
Foreign Exchange Loss	3.21	7.07
Bank Charges	20.72	23.72
Loss on Sale of Fixed Assets/Write-off	7.22	5.07
Miscellaneous expenses	113.45	158.37
	<u>1,813.09</u>	<u>1,947.58</u>
a) Payments to the auditors (included in Legal & Professional charges) :		
As auditor (including quarterly audit fees)	6.61	6.86
For certification and other services	3.35	2.05
	<u>9.96</u>	<u>8.91</u>

26) Contingent Liabilities and Commitments

Particulars	As at 31.03.2014	As at 31.03.2013
a) Claims against the Company not acknowledged as debts:		
- Entry/Sales tax matters in dispute	94.90	70.21
- Service Tax matter in appeal at CESTAT, Kolkata (excluding interest & penalty)	54.70	54.70
- demand raised by technology supplier for which the arbitration award is awaited	156.00	156.00
- in respect of Income tax matters in appeal at Hon'ble High Court at Kolkata	—	13.48
Commitments on Capital Accounts (net of advances):		
Tangible Assets	10.43	16.38
Intangible Assets	—	—

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

27) Certain debit and credit balances including accounts receivables, trade and other payables and deposits are subject to confirmation and reconciliation. Adjustments required with respect to these will be carried out on ascertainment of amounts thereof.

28) Earning per share

(Rs. in lacs)

Particulars	Year ended 31.03.14	Year ended 31.03.13
(a) Net Profit/(Net Loss) attributable to equity holders (in Rs. lacs)	(239.53)	(304.05)
(b) Number of Equity Shares issued (including 6,800 shares on equivalent basis)	8,178,299	7,603,299
(c) Basic and Diluted Earnings per share in Rs. (Face value Rs. 10/- per share) (a)/(b)	(3.29)	(4.00)

29) Related Party Disclosures as per AS – 18

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

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

(b) Associates :

- i) Odyssey Travels Limited
- ii) Sewand Investments Pvt. Ltd
- iii) Julex Commercial Co Ltd
- iv) ISG Traders Limited
- v) Duncans Industries Limited

(c) Key Management Personnel (KMP)

Mr. A. Mondal	:	Managing Director & CEO
Mr. S. Goenka	:	Wholetime Director (upto 14.08.2013)

(B) Details of transactions between the Company and related parties and the outstanding balances as on 31st March, 2014:

a) Transactions with Associate Companies:

	Year ended 31.03.14	Year ended 31.03.13
Julex Commercial Co Ltd Commission	52.21	70.28
Odyssey Travels Ltd. Travelling Expenses	15.98	7.08
Duncans Industries Limited Reimbursement of expenses	1.41	—
ISG Traders Limited Issue of share warrant	87.50	—
Issue of equity share against share warrant	75.47	—

b) Transactions with key management personnel:

	Year ended 31.03.14	Year ended 31.03.13
Remuneration		
Mr. A. Mondal	88.18*	138.27
Mr. S. Goenka (upto 14.08.2013)	14.09	36.00

* Net of Rs. 62.10 refunded during the year (Note 23 b)

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

c) Balances with above related parties (Rs lacs)

	As at 31.03.14	As at 31.03.13
Associate Companies		
Seward Investments Private Limited (Payable)	0.10	0.10
Julex Commercial Co Ltd	66.14	57.53

Notes:

- i) In respect of above parties, there is no further provision for doubtful debts as on 31st March 2014 and no amount has been written off or written back during the year in respect of debts due from/to them.
- ii) The above Related Parties information is as identified by the Management and relied upon by the auditors.

30) Employee Benefits:

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

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

Employer's Contribution to Provident Fund- Rs. 90.48 (Previous Year Rs. 48.54)

Employer's Contribution to Pension Fund – Rs. 24.87 (Previous Year Rs. 25.26)

Employer's Contribution to Superannuation Fund- Rs. 11.98 (Previous year Rs. 12.11)

Contribution towards Employees provident fund to company's own trust including shortfall with respect to interest on investments and that payable to employees, pending actuarial determination has fully been provided for in the accounts.
 - b) The employee's gratuity fund scheme is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as gratuity.

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

(Rs. lacs)

Particulars	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Non-Funded)	Leave Encashment (Non-Funded)
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
1 Current Service Cost	26.25	23.10	28.48	24.99
2 Interest Cost	29.48	28.63	11.89	10.77
3 Expected return on plan assets	(23.66)	(23.41)	—	—
4 Past Service Cost *	—	—	—	—
5 Actuarial Losses/(Gains)	(7.97)	(0.17)	(38.54)	(2.24)
Total Expenses	24.10	28.15	1.83	33.52
Change in the obligation during the year ended March 31, 2014				
1 Present value of Defined Benefit Obligation at the beginning of the year	384.56	333.00	151.04	133.06
2 Current Service Cost	26.25	23.10	28.48	24.99
3 Interest Cost	29.48	28.63	11.89	10.77
4 Benefit Paid	(41.22)	—	(8.48)	(15.54)
5 Actuarial (Gains)/Losses	(7.97)	(0.17)	(38.54)	(2.24)
6 Planned Amendment Cost *	—	—	—	—
Present value of Defined Benefit Obligation at the end of the year	391.10	384.56	144.39	151.04
Change in Assets during the year ended March 31, 2014				
1 Plan Assets at the beginning of the year	283.53	260.12	—	—
2 Contribution by Employer	—	—	8.48	15.54
3 Expected return on plan assets	23.66	23.41	—	—
4 Benefit Paid	(41.22)	—	(8.48)	(15.54)
5 Actuarial Gains/(Losses)	—	—	—	—
Plan Assets at the end of the year	265.97	283.53	—	—
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the year ended March 31, 2012				
1 Net Asset/(Liability) at beginning of the year	(101.03)	(72.88)	(151.04)	(133.06)
2 Employer Expenses	(24.10)	(28.15)	(1.83)	(33.52)
3 Employer Contributions/Payment	—	—	8.48	15.54
4 Net Asset/(Liability) at the end of the year	(125.13)	(101.03)	(144.39)	(151.04)
Actuarial Assumptions				
1 Discount Rate	9.25%	8.10%	9.25%	8.10%
2 Expected Rate of Return on Plan Assets	9.00%	9.00%	—	—

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

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

Notes to the Financial Statement for the year ended 31st March, 2014 (Contd.)

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

Particulars	Gratuity (Funded)				
	31/03/2014	31/03/2013	31/03/2012	31/03/2011	31/03/2010
Present Value of Defined Benefit Obligation	391.10	384.56	333.00	258.43	211.57
Fair Value of Plan Assets	265.97	283.53	260.12	231.05	209.23
Surplus / (Defecit)	(125.13)	(101.03)	(72.88)	(27.38)	(2.34)
Experience Adjustments on Plan Liabilities - (Loss)/Gain	27.94	15.41	(10.50)	(24.23)	(8.91)
Experience Adjustments on Plan Assets - (Loss)/Gain	—	—	(5.74)	(6.17)	15.48

Particulars	Leave (Non Funded)				
	31/03/2014	31/03/2013	31/03/2012	31/03/2011	31/03/2010
Present Value of Defined Benefit Obligation	144.39	151.04	133.06	(102.58)	77.91
Experience Adjustments on Plan Liabilities - (Loss)/Gain	25.51	8.53	(13.17)	(29.55)	(10.69)

- 31) The Company is engaged primarily in the business of "Rail Products" and all other activities are incidental thereto. The Company's Bio-Toilet venture is in the process of implementation. 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.
- 32) (a) As mentioned in Note 11 (7), the said subsidiary has taken various steps including obtaining necessary approvals from the railway for implementing the rail runner project. Pending the outcome of the steps so taken, the accounts of the said subsidiary has been prepared on going concern basis.
- (b) Project regarding "design and development of Biological Toilet System" undertaken by another subsidiary is under implementation. Pending commencement of commercial operation, the product sold or given on rent and cost and expenses incurred have been incorporated in the consolidated statement of Profit & Loss.
- 33) All the numerical figures stated hereinabove has been expressed in terms of Rs. in lacs.
- 34) Previous year's figures have been re-arranged / re-grouped wherever necessary.

For **LODHA & COMPANY**
Chartered Accountants

R.P. SINGH
Partner

Place: Kolkata
Date: 30th May, 2014

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

G.P. Goenka Chairman
S. Ray Director
I. Sen Director
A. Mondal Managing Director & CEO
S. Goswami Sr. Vice President & CFO
A. Majumdar Company Secretary

FORM B

1.	Name of the Company	Stone India Limited
2.	Annual financial statements for the year ended	31 st March, 2014
3.	Type of Audit qualification	<p>(a) In respect of Rental demands from Kolkata Port trust on the Company amounting to Rs.228.97 lacs, pending decision of the Court exact status of the liability and amount payable has not been ascertained; (Note 6A(b))</p> <p>(b) Payment of managerial remuneration amounting to Rs.186.75 lacs (including Rs.111.58 lacs for the year) is subject to approval of the Central Government; Note 23(a))</p> <p>(c) Stocks lying at different locations as stated in the Note 14(c) are under reconciliation. Pending this, the provision of Rs.250 lacs has been made, the adequacy of which and consequential adjustments arising in this respect cannot be ascertained and commented upon by us;</p> <p>(d) Revenue recognition shortfall against advances of Rs.1006.99 lacs and investment of Rs.1 lac to a subsidiary in respect of a project undertaken by it, pending implementation thereof, has presently not been ascertained; (Note 13(b))</p> <p>(e) Certain debit/credit balances including certain overdue balance of debtors as given in the Note 15(b) are subject to confirmation/ reconciliation and the consequential adjustments thereof has not been determined; (Note No. 27)</p> <p>(f) Details regarding Micro, Small and Medium Enterprise are not available and as such required disclosure in this respect could not be given; (Note 8(a))</p> <p>(g) Advances include Rs.104.36 lacs under investigation, impact whereof as such could not be commented upon pending completion of proceedings. (Note No. 17(b))</p>
4.	Frequency of qualification	Repetitive(a to f) & (g) first time.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	<p>(a) <u>Note No 6A(b)</u> In respect of demand for increase in rentals amounting to Rs. 228.97 (Previous year Rs 228.97) on leasehold land from Calcutta Port Trust in the earlier years, consequent to Special Leave Petition in Hon'ble Supreme Court filed against the same, the matter has been referred back to the Hon'ble Calcutta High Court for a</p>

DUNCAN GOENKA

fresh decision on merit. Pending decision of the Court, payments are being made as per the directions received in this respect and provision of Rs. 94.47 made there against in earlier years has been considered adequate by the management and included under 'Other Liabilities'. Adjustments required in this respect will be given effect to as finally determined.

(b) Note No 23(a)

Salary and Wages is net of refund of Rs 62.10 lacs by the Managing Director pursuant to order dated 29th August, 2013 of Ministry of Corporate Affairs against excess remuneration paid during the period from 1st October, 2009 to 30th September, 2012.

(c) Note No 14(c)

Stocks lying with third parties and at certain locations are under reconciliation at the year-end and pending consequential adjustments, if any, arising in this respect, provision of Rs 250.00 has been made in these accounts.

(d) Note No 13(b)

Advance to related parties include Rs. 1006.99 (Previous Year Rs. 935.80) recoverable from Stone Intermodal Private Limited (SIPL) (a subsidiary) being administrative and other costs allocated and payment for know how for the development of the product for "Rail Runner Project" to be undertaken by the said subsidiary and investment includes Rs 1.00 Lakh (Previous Year Rs 1.00 Lakh) in the said subsidiary. Even though there have been delays in completion of the project, considering the Company's long term involvement with SIPL and the prospects thereof, the Company's exposure therein has been considered good and recoverable.

(e) Note No 15(b)

Debtors balances of Rs 289 lacs lying overdue for payment, pending outcome of the steps taken for recovery, has been considered good and recoverable.

Note No 27

Certain debit and credit balances including accounts receivables, trade and other payables and deposits are subject to confirmation and reconciliation. Adjustments required with

		<p>respect to these will be carried out on ascertainment of amounts thereof.</p> <p>(f) <u>Note No 8(a)</u> Necessary information from the suppliers required under Micro, Small and Medium Enterprise Development Act, 2006 were not available and as such the disclosure as required in Section 22 of the said Act could not be given in these accounts.</p> <p>(g) <u>Note No 17(b)</u> Other Loans and Advances include Rs104.36 lacs which are under investigation concerning defalcation of Company's fund. Pending completion of reconciliation and other proceedings and determination of amount recoverable thereagainst, steps are being taken for recovery in this regard.</p>
6.	Additional comments from the board/audit committee chair	NA
7.	<p>To be signed by-</p> <p><input type="checkbox"/> CEO/Managing Director</p> <p><input type="checkbox"/> CFO</p> <p><input type="checkbox"/> Auditor of the company</p> <p><input type="checkbox"/> Audit Committee Chairman</p>	