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Schablona India Limited

Twentieth Annual Report

2003-2004

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Directors :

H. L. Somany, *Chairman*
G. L. Sultania
G. Kasera, *Executive Director (appointed w.e.f. 25.05.04)*
Anirudh Kabra *(appointed w.e.f. 25.05.04)*
R. K. Lakhotia *(resigned w.e.f. 25.05.04)*
N. Goenka *(resigned w.e.f. 25.05.04)*

Auditors :

Sandeep Parwal & Associates
25, C-Block, Community Centre
Janak Puri
New Delhi-110 058

Bankers :

Central Bank of India
Punjab National Bank
Standard Chartered Bank
Centurian Bank Ltd.
The Lakshmi Vilas Bank Ltd.

Registered Office :

2, Red Cross Place
Kolkata-700 001

Works :

Sankhol, Kassar
Rohtak
(Haryana)

Registrar & Transfer Agent :

Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane,
Kolkata-700 001

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SCHABLONA INDIA LIMITED

NOTICE is hereby given that the 20TH ANNUAL GENERAL MEETING of the Members of Schablona India Limited will be held at Jhajharia Committee Hall of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001 on ***Friday***, the 27th ***August, 2004*** at ***11-00 A.M.*** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri H. L. Somany, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s) the following Resolutions :

4. **As an Ordinary Resolution :**
"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri G. Kasera be and is hereby elected and appointed as a Director of the Company."

5. **As an Ordinary Resolution :**
"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof), subject to all such approvals and/or sanctions as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Shri G. Kasera as a Whole-time Director of the Company, designated as "Executive Director", for a period of 3 (THREE) years with effect from 1st June, 2004, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri G. Kasera, extract of which is also set out in the Explanatory Statement, attached to the Notice of 20th Annual General Meeting, and a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and/or modification(s) that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri G. Kasera".
"RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are inadequate, the Company do pay to Shri G. Kasera, remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule XIII to the Companies Act, 1956."
"RESOLVED FURTHER THAT Shri G. Kasera, the Whole-time Director, designated as Executive Director, shall not retire by rotation pursuant to the provisions of Section 255, read with other provision including Section 257 of the Companies Act, 1956 and Article 99 of the Articles of Association of the Company".
"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. **As an Ordinary Resolution :**
"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any of the Companies Act, 1956 Shri Anirudh Kabra, who was appointed a Director of the Company to fill up the casual vacancy caused by the resignation of Shri R.K. Lakhotia, be and is hereby elected and appointed as Director, liable to retire by rotation."

By Order of the Board

New Delhi
Dated, the 25th May, 2004

G. L. Sultania
Director

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NOTES :

1. Relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
2. A Member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself. A Proxy need not be a member of the company. Proxies, in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 17th August, 2004 to Friday, the 27th August, 2004 (both days inclusive).
4. Members/Proxyholders are requested to bring their copy of Annual Report along with them at the meeting.
5. Members are requested to intimate to the Company, their query(ies), if any, on the Accounts and operations atleast 10 days before the Meeting to keep the information ready at the meeting.
6. Members who hold shares in dematerialised form are requested to bring their depository ID Number and Client ID Number for easier identification of attendance at the Annual General Meeting.
7. Members holding shares in physical form are requested to notify any change in the address and the Bank account particulars if any, quoting their Folio Numbers to the Share Transfer Agent M/s. Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, Kolkata – 700 001. Telephone No. 2248 2248, Fax No. 2248 4787.
8. Members having multiple folios in the same order of name(s) may inform the Company for consolidation into one folio.

Brief Resume and other information in respect of the Director seeking re-appointment at the Annual General Meeting

Shri H. L. Somany, aged about 83 years is an eminent Industrialist and a Fellow Member of the Institute of Ceramics. He is past President of ASSOCHAM and Merchants' Chamber of Commerce. He was Chairman of CAPEXIL in 1969 and Commissioner of Calcutta Port Trust during 1972-74. He is Chairman of Hind Syntex Limited. He is also Director of several group Investment Companies.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4

The Board of Directors at its meeting held on 25th May 2004 had appointed Shri Gopal Kasera as an Additional Director with effect from the date of the meeting i.e., 25th May 2004 and as such, he holds office up to the date of this Annual General Meeting under the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company. A Notice from a Member under Section 257 of the Companies Act, 1956 has been received by the Company, proposing the appointment of Shri Kasera, as a Director of the Company. The Board recommends his appointment as a Director of the Company.

Except Shri Kasera, no other Director is concerned or interested in the said Resolution as set out in item No.4 of the accompanying Notice.

Item No.5

At the meeting of the Board held on 25th May 2004, the Board had appointed Shri Kasera as an Additional Director. Since Shri Kasera has been in the whole-time employment of the Company for a long, the Board, at the same meeting had appointed him as the Whole-time Director, designated as the Executive Director not liable to retire by rotation, for a period of 3 (Three) Years with effect from 1st June, 2004, on the terms and conditions including remuneration payable to him, as per Schedule XIII of the Companies Act, 1956, as embodied in the Draft of an Agreement proposed to be entered into between the Company and Shri Kasera, subject, however, to the Members approval at the Annual General Meeting of the Company.

Shri Kasera, aged about 60 years is a Commerce Graduate (B.Com.) and has been associated since inception of the Company. He has held important positions during his currency of employment with SPL Ltd.

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The Board considers that Shri Kasera will be most suitable for this job because of his experience he gained when looking after operation and other activities/functions at the Company's works at Kassar, Haryana.
The principal/material terms and conditions of the Agreement proposed to be entered into between the Company and Shri Kasera for his appointment and remuneration payable to him, upon his appointment as Executive Director are as follows:-

(A) SALARY

At the rate of Rs.30,000/- per month (including Basic and DA) in the grade of 30,000 – 2250 - 41250.
The Board may its sole discretion, consider and grant an Annual increment as per the graded scale specified upon recommendation of Remuneration Committee.

(B) BONUS/EXGRATIA

Payment of Bonus or Exgratia, in lieu of Bonus, subject to a ceiling of 20% of Annual basic salary or as may be fixed and determined by the Board of Directors upon recommendation of Remuneration Committee.

(C) PERQUISITES

Shri Kasera will be entitled to the following perquisites in addition to his salary and bonus or exgratia.
Unless the context otherwise requires, perquisites are classified into three categories A,B and C as follows:-

Category –A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, personal accident insurance. These may be provided for as under :-

Housing

In case no accommodation is provided by the Company, Shri Kasera shall be entitled to House Rent Allowance subject to the ceiling of 10% of the existing basic salary.

Medical Reimbursement

Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Leave Travel Concession

For Shri Kasera and his family once in a year, while on leave, incurred, as per Rules of the Company.

Personal Accident Insurance

Of an amount, the annual premium of which shall not exceed Rs.4,000/-.

Other benefits and Allowances

Any other benefits, facilities and allowances as may be allowed to Shri Kasera, as per rules of the Company.
The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable, otherwise at actuals.

Explanation

For the purpose of CATEGORY 'A', family means, the spouse and dependent children of Shri Kasera.

Category - B

i) Contributions to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
ii) Gratuity payable should not exceed half a month's salary for each completed year of service, subject to such ceiling as may be fixed by the Government from time to time and will not be included in the computation of the ceiling on perquisites.
iii) Encashment of Leave at the end of the tenure will be permitted and will not be included in the computation of the ceiling on perquisites.

Category - C

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company to Shri Kasera.

Overall Remuneration

Subject to an overall limit of 5% of the net profits as calculated in accordance with Section 198 and 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be for the time being in force.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of office of Shri Kasera, the Company may pay him remuneration by way of salary, bonus or exgratia in lieu of bonus and perquisites as specified under Clause A, B & C above within the limits laid down under Para I of Section II of Part II of the amended Schedule XIII to the Companies Act, 1956 as may be for the time being in force.

Sitting Fee

Shri Kasera shall not so long as he acts as the Whole-time Executive Director of the Company be paid any sitting fee for attending any meeting of the Board or any Committee thereof.

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Other Terms

Shri Kasera shall not during the continuance of his employment hereunder or at any time thereafter, divulge or disclose to any person or make use whatever for his own or for any other purpose any confidential information or knowledge acquired by him during his employment under the Company as to the business or affairs of the Company or as to any trade secret or secrets, processes of the Company and shall during the continuance of his employment hereunder use his best endeavors to prevent any other person from doing so.

Shri Kasera hereby undertakes that so long as he functions as the Executive Director of the Company he shall not become interested or otherwise concerned directly or indirectly or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government.

Nothing herein contained shall entrust or be deemed to entrust Shri Kasera with substantial powers of management of the affairs of the Company.

The Board of Directors may, in their discretion, revise or modify any of the terms of appointments and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

Retirement by Rotation

Shri Kasera shall not be liable to retire by rotation. If at any time Shri Kasera ceases to be a Director of the Company for any cause whatsoever he shall cease to be a Whole-time Director.

Termination

Notwithstanding anything contained in this Agreement, either party, shall be entitled to determine this Agreement by giving 3 (THREE) calendar months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, this Agreement shall stand terminated. The Company shall also be entitled without assigning any reason whatsoever, to terminate the Agreement on giving to Shri Kasera 3 (THREE) months' salary as specified in Clause 'A' in lieu of three calendar months' notice required to be given under this Clause.

Service of Notice

Any notice to be given hereunder shall be sufficiently given or served in case of Shri Kasera by being delivered either personally to him or left for him at his address last known to the company or sent by registered post addressed to him at such address and in the case of the company by being delivered at or sent by registered post addressed to its registered office, any such notice if so posted shall be deemed served on the day following that on which it was posted.

Memorandum

None of the Directors other than Shri G. Kasera is concerned or interested or deemed to be concerned and interested in the passing of this Resolution, as set out in at item No. 5 of the Notice.

Inspection of documents

The Draft copy of the Service Agreement proposed to be entered into between the Company and Shri Kasera is available for inspection of the Members of the Company at the Registered Office of the Company on any working day between 12-00 Noon to 2-00 P.M. upto and including the date of the Annual General Meeting/or any adjournment or adjournments thereof, the same will also be available at the meeting.

Abstract of Terms & Condition

The terms and condition of appointment & remuneration payable to Shri Kasera, as the whole time Director, designated as Executive Director of the Company, as set out in the Agreement and Explanatory Statement duly annexed to the accompanying Notice of Annual General Meeting should be treated as an ABSTRACT of the terms and conditions of his appointment and Memorandum of Interest under Section 302 of the Act.

The Board of Directors recommend passing of the Resolution, set out in Item No.5 of the accompanying Notice.

Item No.6

The Board of Directors at its meeting held on 25.05.04, appointed Shri Anirudh Kabra as a Director of the Company, with effect from the date of the meeting, in the casual vacancy caused by the resignation of Shri R.K. Lakhotia.

In terms of the provisions of Section 262 of the Companies Act, 1956 and Article 105 of the Companies Act, 1956, Shri Kabra holds office upto the date of this Annual General Meeting, being the date on which Shri Lakhotia would have retired by rotation had he continued to be a Director of the Company.

The Company has received a Notice in writing and a deposit of Rs.500/- from a Shareholder under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Kabra for the office of Director, liable to retire by rotation.

Shri Anirudh Kabra aged about 48 years, is a Commerce Graduate and a leading Businessman.

The Board considers to avail of his services in the best interest of the Company and accordingly recommends the passing of the resolution for his appointment as set out in Item No.6 of the accompanying notice.

Except Shri Kabra none of the Directors are concerned or interested in the passing of the resolution.

By Order of the Board

New Delhi
Dated, the 25th May, 2004

G. L. Sultania
Director

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MANAGEMENT PERCEPTION AND ANALYSIS

Operating results for the period, market and future prospects have been discussed in the Directors' Report. A further overview of company's business by the management with a discussion on the company's areas of strength and weakness, the opportunities that are available and the threats and concerns that are being experienced is given below.

The Company has been engaged in production and sales of ceramics transfers (decals). Its production facilities are located in Bahadurgarh Town of Haryana near Delhi.

The Company has been producing decals for the principal manufacturers of bone – china tableware, most of whom are located in close proximity. This has enabled the company to have a direct principal to principal relationship with the buyers and has helped the company to establish itself as a high quality manufacturer of decals in Northern India.

However the prices for decals are not very remunerative due to competition from small scale manufacturers. Decals making technology has become well developed within the country. There are many small manufacturers making reasonably good quality transfers at very low prices. Production capacity of the plant is not very large in real terms and at prevailing prices, it is very difficult to see beyond breakeven in decals manufacture as several of the small scale competitors have developed same capacity as of the company at very low cost. To that extent the value of plant and machinery installed by the company has got eroded. Accordingly in their extra ordinary general meeting held on 29-12-03 the members of the company decided to write off the losses and erosion of assets and resolved that, subject to approval of Calcutta High Court, the capital of the company be reduced from Rs.315.92 lacs to Rs. 126.37 lacs.

The limited nature of decal business has been a matter of constant concern for the directors and they have been on the look out for a suitable opportunity and means to augment the company's income. The Company, during the year under report, extended its operations and established a new Designer Tiles Division which got tile borders and designer tiles decorated and made to company's designs by outsourcing and offered them in the market. The results have been encouraging. The company intends to install its own facilities for on line printing of ceramic tiles and also install a gas fired kiln for firing of decorated tile products in the current year.

The use of decorated tile products has been increasing in recent years and has been established as the usage pattern and trend, whereby border and motif matches are demanded by the customer along with the basic tiles.

Due to its long experience in ceramic designing and printing and having its own production of ceramic decals, the company has a major advantage over the competitors in designer tiles segment. There is a good opportunity for the company to use its specialization, earn profits and build brand image in the years ahead.

Risk and Concerns

Under a Notification published under Land Acquisition Act, areas of land in several villages, including the land belonging to the company on which the company's factory stands, were notified by the Govt. of Haryana for acquisition ostensibly for the purpose of setting up an industrial zone. Although the Company has been able to obtain a stay order in the matter on the ground that the factory was constructed by the company after duly obtaining a permission for change of land use for industrial purposes from the Town and Country Planning Dept. of the Govt. of Haryana, the case challenging the proposed acquisition is pending with Punjab High Court. Until the case is disposed of in company's favour, it would remain a matter of concern for the directors.

Internal Control Systems

Regular audit of systems and accounts of the company is carried out by the Internal Auditors and it is ensured that internal control systems are adequate and reliable and there is proper compliance of all regulations and obligations. With increase in transactions on account of sale and purchase of tiles, outsourcing contracts and finished and plain stocks at various levels, the company has decided to upgrade its computer systems and link the computers in various departments through networking, so that all data necessary for an effective internal control and analysis are available at various levels of management.

Human Resources and industrial relations

The company continues to have excellent relations with its staff and workers who have been trained and continue to be trained to acquire and develop the skill needed for the various jobs.

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DIRECTORS' REPORT

To the members

Your Directors have pleasure in presenting their Twentieth Annual Report together with the Audited Accounts of the company for the financial year ended 31st March, 2004.

ACCOUNTS	31.03.2004 Rs. / (000)	31.03.2003 Rs / (000)
Gross Profit for the year under Review	5065	3742
Less : Depreciation for the year	2412	2358
Profit for the year	2653	1384
Less : Provision for income tax	205	98
	2448	1286
Add : Loss brought forward from the previous year	(6256)	(7543)
Loss carried to balance Sheet	(3808)	(6256)

DIVIDEND

Your Directors do not recommend any dividend for the year under review.

OPERATION

Production and sales of ceramic decals have improved during the year. The company produced 3,65,873 sheets during the year against 2,83,606 in the previous year. Sales improved from 2,98,940 sheets (Rs.205.53 lacs) last year to 3,60,401 sheets (Rs. 238.86 lacs) in the year under report.

MARKET AND FUTURE PROSPECTS

As reported last year, the company had decided to enter the value added segment in ceramic tiles industry. During the year under report, the company established a new Designer Tiles Division which got tile borders and designer tiles decorated with screen printing, transfers and hand painting made to company's designs by several vendors on job work basis and offered them in the market. The response has been good and encouraging and as a second step the company has decided to put up its own facilities for printing, decoration and firing of designer tiles in the current year.

The working of Ceramic Transfer Division has also seen an improvement during the year. The sales tax exemption having been completed was no longer available. This was offset due to improved business. The positive trend is likely to continue.

AUDITOR'S REPORT

All the items on which, comments have been made by the auditors in their report to the shareholders are self explanatory, as explained by way of notes to the accounts.

REDUCTION IN CAPITAL

The Company has made an application for reduction in paid-up value of the Equity Shares from Rs.10/- each to Rs.4/- each under Section 101 of the Companies Act,1956 before the Hon'ble High Court, Calcutta in terms of the special resolution passed by the members of the company at their Extra-Ordinary General Meeting held on 29th December,2003. The Order of Hon'ble High Court, Calcutta is expected shortly.

DIRECTORS

Mr. R.K.Lakhotia and Mr. N. Goenka resigned from the Board with effect from 25th May 2004. Mr. Anirudh Kabra was appointed a Director with effect from 25th May 2004 in the casual vacancy caused by the resignation of Mr. R.K. Lakhotia. Mr. Kabra holds office up to the date of the forthcoming Annual General Meeting, being the date on which Mr. R. K. Lakhotia would have retired by rotation in terms of Section 262 of the Companies Act, 1956 and Article 105 of the Articles of Association of the Company.

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Mr. G. Kasera was appointed as an Additional Director of the Company with effect from 25th May 2004 and also a Whole-time Director, designated as Executive Director with effect from 1st June 2004. Mr. G. Kasera holds office up to the date of ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company.

Notices have been received from Members under Section 257 of the Companies Act, 1956, proposing candidature of Mr. Kabra and Mr. Kasera for the office of Directors of the Company.

Mr. H. L. Somany, Director of the Company, retires from the Board by rotation and being eligible offers himself for re-appointment.

AUDITORS

M/s. Sandeep Parwal & Associates, Chartered Accountants, Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and have expressed their unwillingness for re-appointment. M/s. Sanjeev Neeru & Associates, Chartered Accountants are proposed to be appointed as Statutory Auditors for the financial year 2004-05.

CORPORATE GOVERNANCE

A Report on Corporate Governance along with Management Analysis as prescribed by the Listing Agreement would form an integral part of the Annual Report 2003-2004.

ADDITIONAL INFORMATION

As regards disclosure under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, a statement showing particulars of conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is annexed hereto and forms part of this report.

PARTICULARS OF EMPLOYEES

Information as required u/s 217 (2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules, 1975 in respect of Company's employees is not being given since no employee is covered under this clause.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to sub-section (2AA) of section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with the proper explanation relating to material departures ;

(ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the company for that period ;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;

(iv) the Directors had prepared the annual accounts on a going concern basis.

For and on Behalf of the Board

New Delhi
Dated, the 25th May 2004

H. L. Somany
Chairman

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