

# **Schablona India Limited**

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Twentyfirst  
Annual Report

**2004-2005**

**Directors :**

Shri H. L. Somany, *Chairman*  
Shri G. L. Sultania  
Shri G. Kasera, *Executive Director*  
Shri Anirudh Kabra

**Auditors :**

Sanjeev Neeru & Associates  
205, Mohan Place, L.S.C.  
"C" Block, Saraswati Vihar,  
Delhi-110 034

**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, Kasar  
Rohtak  
(Haryana)

**Registrar & Transfer Agent :**

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

## SCHABLONA INDIA LIMITED

NOTICE is hereby given that the 21<sup>ST</sup> ANNUAL GENERAL MEETING of the Members of Schablona India Limited will be held at Jhaharia Committee Hall of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata-700 001 on **Friday, the 5<sup>th</sup> August, 2005 at 12.30 P.M.** to transact the following business :

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 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 G. L. Sultania, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

### **SPECIAL BUSINESS**

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

#### **4. As a Special Resolution :**

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions if any, of the Companies Act, 1956 to the Board of Directors for the Company for mortgaging and/or charging and/or hypothecating on such terms and conditions and at such time or times and in such forms and manner as it may think fit, the whole or substantially the whole of the company's any one or more of the undertakings or all the undertakings including all present and future properties whether moveable or immovable comprised in any such undertaking or undertakings of the company as the case may be and/ or conferring power to enter upon and take possessions of the assets of the Company in certain events to or in favour of any banks or term lending institution to secure repayment of monies borrowed or to be borrowed by the company from any one or more of them subject to over all borrowing limits of Rs. 500 (Five hundred) lacs approved by the Members of the Company under Section 293 (1)(d) of the Companies Act, 1956 and/or such limits as may be approved by the Members of the Company, from time to time under Section 293(1)(d) of the Companies Act, 1956, together with any interest, or other charges, payable by the company to such lender or lenders under the respective loan agreements/Letter of Sanction/Memorandum of terms & conditions entered into by the company with such lender or lenders".

"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 finalise with any banks or lending institutions the agreements and the other documents, if any, necessary for creating mortgage and/or charges as aforesaid and to do all such acts, deeds, estate and things, as may be necessary and/or expedient".

"RESOLVED FURTHER THAT mortgage/charge created and/or to be created and/or all agreements/ documents executed/to be executed and all acts done hereto for in terms of the above resolution by and with the authority of the Board of Directors of the Company are hereby ratified and confirmed.

#### **5. As an Ordinary Resolution :**

"RESOLVED THAT in accordance with the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing monies from time to time for the purpose of the business of the Company on such security and on such terms and conditions in all respects as the Board may deem fit, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans 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, however, that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 500 (Five hundred) lacs apart from temporary loans obtained from the Bankers' in the ordinary course of business".

By Order of the Board

Sankhol  
Dated, the 25<sup>th</sup> May, 2005

G. L. Sultania  
Director

## SCHABLONA INDIA LIMITED

### 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 2nd August, 2005 to Friday, the 5th August, 2005. (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. 2243-5809/5029, Fax No. 2248 4787.
8. Members having multiple folios in the same order of name(s) may inform the Company for consolidation Folio.

### Brief Resume and other information in respect of Shri G. L. Sultania seeking re-appointment as Director at the Annual General Meeting

Aged about 59 years, is FCA & FCS. He has to his credit varied and extensive knowledge and practical experience in Administration and General Management. He is an outstanding expert in Tax planning and in the field of Finance and Corporate Laws. He also specialises in take-over, merger and revival of sick units and has considerable involvement in International Finance. He is a member of Capital Market Committee of Merchants' Chamber of Commerce and he has been nominated by FICCI as the Member of Cost Accounting Standard Board of ICWAI. He is on the Board of following Companies, apart from various Investments Companies of Somany Group.

Sl. No.	Name of the Company in which he is Director	Audit Committee	Investors Grievance Committee	Remuneration Committee
1.	Hindustan Sanitaryware & Industries Limited	-	Member	-
2.	SPL Limited	Member	Member	Member
3.	Schablona India Ltd.	Chairman	Chairman	-
4.	The United Provinces Sugar Co. Ltd.	-	-	Member
5.	SKP Securities Ltd.	Chairman	Chairman	Member
6.	Bigoo Investments Ltd.	Chairman	Member	-

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

#### Item No. 4

You are well aware that the borrowings/financial assistance sanctioned by Institutions and Banks, by way of loan(s)/Cash Credits/Advances or otherwise are in general required to be secured by suitable mortgage or charge on all or any of the moveable or immoveable properties of the Company in such form, manner and ranking as may be determined by the Board in consultation with and to the satisfaction of the concerned Lenders. The mortgage and/or charge created by the Company in any form on its moveable/immoveable properties and/or the whole or any part of the Undertaking(s) of the Company with the power to take over the management of the business and concern of the Company in certain events of default by the Company may be regarded as disposal of the Company's undertaking(s) within the meaning of said Section.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a Public Limited Company shall not, except with the consent of the Shareholders in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the Undertaking of the Company or where the Company owns more than one Undertaking of the whole or substantially the whole of such Undertaking.

With this aspect in view, the Company sought to seek the approval of the Members of the Company and your Directors accordingly recommend the above Resolution for your approval.

None of the Directors of the Company are interested or concerned in passing of the above Resolution.

#### Item NO. 5

The Board of Directors of the Company may borrow on behalf of the Company an amount equivalent to paid-up capital and its free reserves. Any borrowing in excess of paid-up capital and free reserve of the Company requires consent of members U/S 293(1)(d) of the Companies Act, 1956. The present borrowing of the Company is within its limits. However, in view of the Company's future plans for expansion and/or diversification, Company may be required to borrow in excess of its paid-up capital and free reserve. As such, the resolution under item No. 5 of the convening Notice is recommended by the Board for your approval.

None of the Directors of the Company is concerned or interested in this Resolution.

By Order of the Board

G. L. Sultania  
Director

Sankhol  
Dated: the 25<sup>th</sup> May, 2005

## SCHABLONA INDIA LIMITED

### DIRECTORS' REPORT

#### To the members

Your Directors have pleasure in presenting their Twenty First Annual Report together with the Audited Accounts of the company for the financial year ended 31<sup>st</sup> March, 2005.

#### ACCOUNTS

	31.03.2005 <u>Rs. / (000)</u>	31.03.2004 <u>Rs. / (000)</u>
Gross Profit for the year under Review	5981	5065
Less : Depreciation for the year	1042	2412
Profit for the year	4939	2653
Less : Provision for Income Tax	387	205
	4552	2448
Add : Excess provision for Income Tax for early years written back	213	-
Add : Brought forward loss for earlier years written off	6256	-
Add : Prior period adjustments	1920	-
	12941	2448
Less : Balance brought forward from earlier years	(3808)	(6256)
	9133	(3808)

#### DIVIDEND

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

#### OPERATION

Production and sales of ceramic decals were maintained at same level as last year. Production during the year amounted to 3,54,486 sheets (previous year – 3,65,873 sheets) and sales to Rs. 242.40 lacs (previous year – Rs. 238.86 lacs). This was first year for the Third Fire plant set up under the Designer Tiles Division (DTD) of the company for printing, decoration and firing of ceramic tiles. Sale of goods produced by DTD during the year amounted to Rs. 312.06 Lacs.

#### MARKET AND FUTURE PROSPECTS

##### Ceramic Decals :

Prices have remained unremunerative. Not much improvement can be foreseen in the near future. The bone china and glass tableware industries, major buyers of decals, continue to suffer from excess production capacity. Cheap imports which have started flooding the Indian Market are causing unprecedented difficulty in these industries.

##### DTD Products :

The products of DT Division, launched during the year, have been able to win market acceptance and appreciation. Sales are expected to improve as the products range gets further enlarged during the ensuing year. With improved production, the directors also expect some improvements in the margins. However this market is more or less a market with fast changing designs and rate of obsolescence is high in this trade.

##### Trading :

The trading in floor tiles is no longer yielding the desired results. The possibility of substituting the same with some other items which can be marketed with the products of DTD through the same distribution channel is being explored.

**SCHABLONA INDIA LIMITED****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**

Reduction in Capital of the Company has been given effect to as approved by Hon'ble High Court, Calcutta and thereby the Paid-up value of the Equity Shares stands at Rs.4/- as against Rs.10/- per share. Effect of capital reduction has been given in the balance sheet as at 31-03-2005 and the profit and loss account for the year ended on that date.

**DIRECTORS**

Shri G. L. Sultania, Director of the Company retires by rotation and, being eligible, offers himself for re-appointment.

**AUDITORS**

M/s. Sanjeev Neeru & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and offer themselves for re-appointment.

**CORPORATE GOVERNANCE**

A report on Corporate Governance along with Management Discussions & Analysis as prescribed by the Listing Agreement would form an integral part of the Annual Report 2004-05 and is annexed hereto.

**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 were 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 on 31<sup>st</sup> March 2005 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.

Sankhol

Dated, the 25<sup>th</sup> May 2005

For and on Behalf of the Board

H. L. Somany  
Chairman

**SCHABLONA INDIA LIMITED****ANNEXURE TO THE DIRECTORS' REPORT**

ADDITIONAL INFORMATION GIVEN AS REQUIRED under the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988.

**A) CONSERVATION OF ENERGY**

- a) Energy conservation measures taken :  
The measures taken in the previous years have kept consumption of energy at the lowest level. Experience gained is also benefiting new installations made during the year.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :  
No additional investments are considered necessary at present.
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:  
Energy consumption vis-à-vis cost continue to be at the optimum level for the primary plant while the new plants installation is also moving in the same direction.
- d) Total energy consumption and energy consumption per unit of production:  
The Company is not covered under the list of specified industries.

**B) TECHNOLOGY ABSORPTION****FORM - B**

1. Research and Development (R & D)
  - i) Specific areas in which R & D carried out by the Company.  
The development activities of the Company are mainly towards improvement of product quality, testing and introduction of new material, import substitution, process improvement and cost effectiveness.
  - ii) Benefits derived, as a result of the above R & D :  
Lower rejections, keeping pace with upgraded international technology and better quality.
  - iii) Future plan of action and expenditure on R & D :  
R & D will be continued in the areas mentioned in (i) above as an ongoing process.  
No separate record of the expenditure incurred is maintained.
2. Technology absorption, adaptation and innovation.  
Efforts in brief and benefits derived:  
Manufacturing technology received from collaborators has been fully absorbed and has been adapted to suit the needs of our various markets. Innovations are made as and when needed. The company keeps itself abreast of the new developments in its field of activity.
3. Foreign Exchange Earnings and Outgo :
 

	<u>Rs./000</u>
A. Foreign Exchange Outgo -	419
B. Foreign Currency Earned -	141

Sankhol  
Dated , the 25<sup>th</sup> May 2005

For and on Behalf of the Board  
H. L. Somany  
Chairman



# SCHABLONA INDIA LIMITED

## MANAGEMENT DISCUSSION 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 ceramic transfers(decals) for last 10 years. 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. On the other hand, the production capacity of the plant is not very large in real terms.

The Company, during the year under report, extended its operations under a new Designer Tiles Division by installing its own facilities for on line printing and firing of ceramic tiles.

The Company has appointed a number of authorized dealers in various towns and the 3<sup>rd</sup> fire tiles products of the DT Division of the Company have been well received in the market. The initial problems with plant and equipment have been overcome and workers of the company are now reasonably trained. The Company expects a better output of production in the current year and hopes to be able to sell the same in the market at remunerative prices.

### **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.

### **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 by replacing the software and linking 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.

Sankhol  
Dated , the 25<sup>th</sup> May 2005

For and on Behalf of the Board  
H. L. Somany  
Chairman



**SCHABLONA INDIA LIMITED****CORPORATE GOVERNANCE REPORT****COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is aimed at the efficient and ethical conduct of its business and meeting its obligations to shareholders, stakeholders, Government and the Society at large.

**BOARD OF DIRECTORS**

As on date Board of Directors comprises of Chairman, an Executive Director and 2 Independent Non-Executive Directors. There were 6 Board meetings held during the year 2004-05 i.e. on 25 May, 30 July, 16 August, 30 October in 2004 and 31 January, 23 March in 2005. Details of the Directors by category, their attendance and other directorship including Membership/Chairmanship of Board Committees are :-

Directors	Category	No. of Meetings held	No. of Board Meetings attended	Attended last AGM	Number of Directorships in other Companies (\$)	No. of Committee positions held in Companies	
						Chairman	Member
Shri H. L. Somany	Promoter	6	6	YES	8	-	-
Shri G. L. Sultania	Independent	6	5	YES	13	5	6
Shri G. Kasera (*)	Executive	6	5	NO	-	-	-
Shri Anirudh Kabra (**)	Independent	5	4	NO	-	-	-
Shri R. K. Lakhotia (#)	Independent	1	1	N.A.	-	-	-
Shri N. Goenka (#)	Independent	1	-	N.A.	13	-	2

(\*) Appointed as additional director w.e.f. May 25, 2004 and as regular director at AGM held on August 27, 2004

(\*\*) Appointed in casual vacancy caused by resignation of Shri R. K. Lakhotia w.e.f. May 25, 2004.

(#) Resigned with effect from May 25, 2004.

(\$) Excluding directorship in Private Limited Companies.

**Board Functions**

The Board of Directors considers all the matters at its meeting which are statutorily required to consider thereat, which among others are as follows :-

- Reviewing of Quarterly and Annual Results.
- Strategy and business plan.
- Major accounting provisions and write-offs.
- Various statutory provisions etc.