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Schablona India Limited

Twentysecond
Annual Report

2005-2006

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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.

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 22nd 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 ***Saturday***, the ***19th August, 2006*** at ***11.30 A.M.*** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 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 Anirudh Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

New Delhi
Dated, the 26th May, 2006

G. L. Sultania
Director

NOTES :

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 12th August, 2006 to Saturday, the 19th August, 2006 (both days inclusive).
3. Members/Proxyholders are requested to bring their copy of Annual Report along with them at the meeting.
4. 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.
5. Members who hold shares in dematerialised form are requested to bring their depository ID and Client ID Numbers for easier identification of attendance at the Annual General Meeting.
6. 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.
7. 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 Anirudh Kabra
Aged about 50 years, is a Commerce Graduate and a leading businessman. He is member of Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee constituted by the Board of Directors of the Company.

By Order of the Board

New Delhi
Dated, the 26th May, 2006

G. L. Sultania
Director

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DIRECTORS' REPORT

To the members

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts of the company for the financial year ended 31st March, 2006.

ACCOUNTS	31.03.2006 Rs. / (000)	31.03.2005 Rs. / (000)
Gross Profit for the year under Review	6281	5981
Less : Depreciation for the year	1414	1042
Profit for the year	4867	4939
Less : Provision for Income Tax	410	387
Less : Provision for Fringe Benefit Tax	172	–
Less : Deferred Tax Liability	399	–
	3886	4552
Add : Excess provision for Income Tax for earlier years written back	–	213
Add : Brought forward loss for earlier years written off	–	6256
Add : Prior period adjustments	–	1920
Less : Income tax paid for earlier years	(143)	–
	3743	12941
Add / (Less) : Balance brought forward from earlier years	9133	(3808)
	12876	9133

DIVIDEND

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

OPERATION

Production and sales of ceramic decals has been lower on account of difficult market conditions as reported last year. Production during the year amounted to 3,03,535 sheets (previous year – 3,54,486 sheets) and sales to Rs. 253.60 lacs (previous year – Rs. 241.52 lacs). This was second year for the Designer Tiles Division (DTD) of the Company set up for printing, decoration and firing of ceramic tiles. Sales of goods produced by DTD during the year amounted to Rs. 456.77 lacs (previous year Rs. 318.60 lacs).

MARKET AND FUTURE PROSPECTS

Ceramic Decals :

The bone china and glass tableware industries, major buyers of decals, have continued to suffer from excess production capacity and continuation of cheap imports. However, some market expansion is also taking place and there are signs of marginal improvement in market conditions for company's products.

DTD Products :

Company's products have continued to gain market acclaim. However, as stated last year, design changes are fast in this market. There has been a setback during the second half of the year when gas supply was not available for 66 days. Contractual obligations were met by outsourcing at a much higher price due to use of high cost fuel used by job worker industries. Gas has resumed and marketing efforts have been strengthened. A new Water Jet Cutting Machine has also been added to the D.T. Division. The Company shall be looking forward to steady improvement in the market share and better production in the coming years.

AUDITORS' 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.

DIRECTORS

Shri Anirudh Kabra, Director of the Company retires by rotation and, being eligible, offers himself for re-appointment.

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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 2005-06 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 the clause.

SECRETARIAL COMPLIANCE CERTIFICATE

Your Directors pleased to enclose the Secretarial Compliance Certificate for the year 2005-06, as part of this Directors' Report, pursuant to the provision of the section 383A of the Companies Act, 1956.

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 31st March 2006 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

H. L. Somany
Chairman

New Delhi
Dated, the 26th May 2006

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.

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.

d) Total energy consumption and energy consumption per unit of production :
The Company is not covered under the list of specified industries.

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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 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 :

	Rs./000
A. Foreign Exchange Outgo -	1515
B. Foreign Currency Earned -	NIL

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

New Delhi
Dated, the 26th May 2006

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.

Transfer Division of the company is engaged, in printing of ceramic transfers (decals), which is an intermediate product needed by manufacturers of ceramics, glass etc. A part of production is also used inhouse by the DT Division which owns facilities for third fire decoration and value addition of ceramic tiles. Decals making technology has become well developed within the country. As reported in the past, there are many small manufacturers making reasonable quality transfers at very low prices. Consequently, there has been a reduction in sale during the year. However, some market expansion is taking place and there are signs for marginal improvement in market conditions for the products of the Transfer Division.

The Designer Tile Division has been gaining in strength, although there was a setback in operations due to disruption of gas supply for over two months during the year. However, the marketing efforts have been strengthened and the company shall be looking forward to steady improvement in the market share and better production in the current year.

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 had duly obtained a stay order in the matter, the case challenging the proposed acquisition is pending with Punjab High Court. However, since the land is already in industrial use, most likely the case will go in favour of the company.

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. It has also been ensured 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 good relations with its staff and workers who continue to be trained to acquire and develop the skill needed for the various jobs.

For and on Behalf of the Board

H. L. Somany
Chairman

New Delhi
Dated, the 26th May 2006

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SCHABLONA INDIA LIMITED

SECRETARIAL COMPLIANCE CERTIFICATE

We have examined the registers, records, books & papers of M/s. SCHABLONA INDIA LTD, as required to be maintained under the Companies Act, 1956 (The Act) and the rules made there under and also the provisions contained in the Memorandum & Articles of Association of the Company for the year ended on 31st March, 2006. In our opinion & the best of our information & according to the examinations carried out by us & explanations furnished to us by the Company, its officers & agents, we certify that in respect of aforesaid year :

1. The Company has kept & maintained all the registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act & the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies (West Bengal) under the Companies Act, 1956 and the rules made there under. However, no forms or returns were required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The Company being a Public Limited Company, comments are not required.
4. The Board Of Directors duly met four times respectively on 25th May'05, 22nd July'05, 27th October'05 and 28th January'06 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. The Company has not passed any Board resolution by circulation.
5. The Company has closed its register of Members for transfer or other purposes during the above financial year from 2nd August, 2005 to 5th August, 2005 (both days inclusive).
6. The Annual General Meeting of the Company for the financial year ended on 31st March, 2005 was held on 5th August, 2005 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary Meeting was held during the aforesaid financial year.
8. The Company has not advanced loan to its Director and/or persons, Firms or Companies referred to in Section 295 of the Act.
9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company has not entered into any contact or arrangements which are required to be entered in the register maintained under Section 301 of the act.
11. As there are no instances falling within the purview of Section 314 of the Act, the Company has not obtained approvals from the Board of Directors, Members or Central Govt.
12. The Company has issued three duplicate Share Certificates for 210 Shares being reported lost, one certificate on consolidation for 1402 Shares and one certificate on remat of 15 Shares during the financial year under review.
13. The Company has :
    a) not made allotment of any Equity Shares during the year under review.
    b) delivered all the certificates on lodged thereof for transfer/transmission or any other purposes during the above financial year within statutory time limit as prescribed under various provisions of the Companies Act and as per listing agreement.
    c) not required to deposit any amount in a separate bank account for dividend as no dividend was declared during the above financial year.
    d) not required to post dividend warrants to any of its Members as no dividend was declared during the above financial year.
    e) no amount lying outstanding in unpaid Dividend account or under any other head for more than seven years, which are required to be transferred to IEPF under Section 205C of the Act.
    f) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional Director, alternate Director or Director to fill causal vacancy during the above financial year.
15. The Company has not appointed any Managing Director/Whole time Director/Manager during the above financial year.
16. The Company has not appointed any Sole-selling Agents during the above year under review.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such other authorities prescribed under the various provisions of the Act.

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18. The Directors have disclosed their interest in other Firms/Companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any Shares/Debentures/other Securities during the above financial year.
20. The Company has not bought back Shares during the above financial year.
21. The Company has neither issued nor redeemed any redeemable preference Share and/or Debenture during the above financial year.
22. There was no transaction necessitating the Company to keep in abeyance the right to dividend, rights Shares and Bonus Shares pending registration of transfer of Shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the above financial year under review.
24. The Company has borrowed secured loan from nationalized and private banks during the above financial year under Section 293(1) (d) of the Act and other applicable provisions, if any, under any other Act.
25. The Company has not granted any fresh loan and advances or given guarantee or provided securities in relation to loan given to other Bodies Corporate under Section 372A of the Act. Hence no entries have been required to be made in the register kept for this purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the above financial year.
27. The Company has not altered the provisions of Memorandum with respect to the objects of the Company during the above financial year.
28. The Company has not altered the provisions of Memorandum with respect to name of the Company during the above financial year.
29 The Company has not altered the provisions of Memorandum with respect to Share Capital of the Company during the above financial year.
30. The Company has not altered its Articles of Association during the above financial year.
31. There was no prosecution initiated against or show cause notices received by the Company during the above year for offence under the various provisions of the Act.
32. The Company has not received any money as security from its employees during the above financial year.
33. The Company has deducted and deposited both the employer's and employee's contribution towards Provident Fund with appropriate authorities pursuant to Section 418 of the Act during the aforesaid financial year.

Place : 9, Crooked Lane,
Kolkata-700 069
Date : 26/05/2006

FOR DROLIA & COMPANY
(Company Secretaries)
(P K Drolia)
Proprietor
CP : 1362

ANNEXURE : A
Register as maintained by the Company

Sl. No.	Particulars	Section
1.	Register of Members	150
2.	Directors Minutes Book	193
3.	Shareholders Minutes Book	193
4.	Register of Directors	303
5.	Register of transfer	–
6.	Register of Director's Shareholding	307
7.	Register of Contracts	301
8.	Register of Charges	143
9.	Books of accounts and other cost recrods	209

ANNEXURE : B

Sl. No.	From No./Return	Filed under Section	Date of Filling	Whether filed within Statutory Time Period
1.	Balance Sheet as at 31st March, 2005	220	30/08/05	Yes
2.	Annual Return made Upto 05/08/2005	159	27/09/05	Yes
3.	Compliance Certificate Dated 25/05/2005	383A	30/08/2005	Yes
4.	Form No. 23 Dated 05/08/2005	192	12/08/05	Yes
5.	Form No. 8 & 13	125/127/130 & 135	29/04/05	Yes
6.	Form No. 8 & 13	125/127/130 & 135	15/06/05	No

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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 4 Board meetings held during the year 2005-06 i.e. on 25 May, 22 July, 27 October in 2005 and 28 January in 2006. Details of the Directors by category, their attendance, other directorship including Membership/Chairmanship of Board Committees and No. of Shares held 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		No. of Shares held
						Chairman	Member	
Shri H. L. Somany	Promoter	4	4	NO	8	2	3	153000
Shri G. L. Sultania	Independent	4	4	YES	13	5	8	500
Shri G. Kasera	Executive	4	4	NO	-	-	-	700
Shri Anirudh Kabra	Independent	4	4	NO	-	-	3	–

(*) Excluding directorship in Private Limited Companies.

Code of Conduct :

The Board has laid down a code of conduct for all its Board Members and senior Management personnel, as approved by the Board and the same is being abided by all of them. The Company has obtained the confirmation of the compliance from the Executive Director.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The Audit Committee comprises of following Members and they attended its meetings held on 25 May, 22 July, 27 October in 2005 and 28 January in 2006 :-

Name of Members	No. of meeting attended	Status
Shri G. L. Sultania	4	Chairman
Shri H. L. Somany	4	Member
Shri Anirudh Kabra	4	Member

Terms of reference

Terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges that inter-alia include review of reports of Internal and Statutory Auditors and ensures that suitable follow-up action are taken, review of Quarter and Annual Financial Statements, review of adequacy of internal control system, review of significant findings and adequacy of Internal Audit functions and review of the financial and risk management policies etc.

SHARE TRANSFER COMMITTEE

Your Company has a Share Transfer Committee comprising of Shri G. L. Sultania (who chairs the meetings), Shri N. Goenka and Shri S. Banerjee. The Committee met 11 times during the period under review. Total 47063 shares received for transfer were registered and dispatched within 15 days of receipt, if the documents were correct and valid in all respects. There were no valid share transfers pending for registration for more than 30 days as on 31.03.2006.

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