

SCHABLONA INDIA LIMITED

Directors :

Mr. G. L. Sultania, Chairman
Mr. Anirudh Kabra
Mr. Rakesh Kumar Borar
Mr. A. K. Beejawat
Mr. N. Goenka

Auditors :

A. K. Maheshwari & Associates
Suite # 4G, Uppals, M6 Plaza
Jasola District Centre
New Delhi - 110 076

Bankers :

State Bank of India
HDFC Bank Limited

Resistered Office :

2, Red Cross Place
Kolkata - 700 001
Phone No. : 033-22487406 / 07
E-mail : silinvestors@schablona.in
Website : www.schablona.in

Works :

- 1) P. O. - Kassar, Bahadurgarh - 124 507
Dist. - Jhajjar, Haryana
- 2) 18/1, 18/2, G. I. D. C., Industrial Estate
Kadi - 382 715, Gujarat

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 28th ANNUAL GENERAL MEETING of the Members of Schablona India Limited will be held at Somany Conference Hall of MCC Chamber of Commerce & Industry, 15-B, Hemanta Basu Sarani, Kolkata - 700 001 on **Friday, the 28th September, 2012 at 3-00 P.M.** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Anirudh Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. K. Beejawat, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

6. As a Special Resolution

"RESOLVED THAT in accordance with and subject to the provisions of Section 309(4) read with Section 309(7) of the Companies Act, 1956, the Company do hereby authorise the payment to the Directors of the Company (Other than the Managing and Wholetime Directors, if any) of a commission (to be divided amongst them, in such amounts or in such proportion and in such manner as may be determined by the Board of Directors of the Company from time to time and in default of such determination equally) of 1% (One percent) on the net profits of the Company, to be computed in the manner prescribed in Sub-section (1) of Section 198, referred to in Sub-section (5) of Section 309 of the Companies Act, 1956 in any financial year of the Company, for a further period of 5 years, commencing from 1st April, 2012 and upto 31st March, 2017."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, proper and expedient in order to give effect to the above Resolution."

Place : Noida
Date : the 26th May, 2012

By Order of the Board
N. Goenka
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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to item no. 6 of the accompanying Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 15th September, 2012 to Friday, the 28th September, 2012 (both days inclusive).

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4. Dividend on equity shares as recommended by the Board of Directors, if declared at the meeting, will be payable to those Members whose name appears on the Register of Members of the Company as on 14th September, 2012 and in respect of shares held in the dematerialized form, to those beneficial owners whose particulars will be furnished by the Depositories on the said date.
5. Members who have not encashed their dividend warrants for the year ended 31st March, 2008 to 31st March, 2011 may write to the Company or RTA for revalidation of the same.
6. Members/Proxyholders are requested to bring their copies of Annual Report along with them at the meeting.
7. Members are requested to write to the Company, their query(ies), if any, on the Accounts and operations of the Company atleast 10 days before the meeting to keep the information ready at the meeting.
8. Members who hold shares in dematerialized form are requested to bring their Depository ID and Client ID Numbers for easier identification of attendance at the Annual General Meeting.
9. Members holding shares in physical form are requested to notify changes in their address and the Bank Account particulars, if any, quoting their Folio Number(s) to the Registrar & Share Transfer Agent M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, Kolkata - 700 001. Telephone No. (033) 2243 5809/5029, Fax No. (033) 2248 4787.
10. Members having multiple folios in the same order of name(s) may inform the Company for consolidation into one folio.
11. Dividend, if declared, at the ensuing Annual General Meeting will be credited to the Bank account of respective Shareholders through National Electronic Clearing Service (NECS) / Electronic Clearing Service (ECS) where such facility is available. Members holding shares in electronic form are therefore requested to furnish their Bank particulars in which they wish to receive dividend, through their Depository Participants (DPs). Members holding shares in physical form and desirous of availing the NECS/ECS facility, are requested to update their Bank particulars by sending it to the Company's Registrar and Share Transfer Agent, M/s. Maheshwari Datamatics Private Limited, directly.
12. The Securities and Exchange Board of India (SEBI) has mandated to furnish a copy of PAN Card in all the cases of transfer of shares in physical form.

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its Members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to inform their e-mail address to the Registrar and Transfer Agent of the Company M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, Kolkata - 700 001, quoting their folio no.(s) or to the Company at email ID - silinvestors@schablona.in

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BRIEF RESUME AND OTHER INFORMATION PURSUANT TO CLAUSE 49 (IV) (G) OF THE LISTING AGREEMENT IN RESPECT OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

Mr. Anirudh Kabra, aged about 56 years, is a Commerce Graduate and a businessman. He is a member of Audit Committee and Shareholders'/Investors' Grievance Committee of the Board of Directors of the Company.

Mr. A. K. Beejawat, aged about 54 years, is an MBA. He has over 33 years of experience in Marketing. His vast experience and knowledge in the marketing and business administration is useful to the Company.

Explanatory statement in respect of the Special Business pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6

The Company by a Special Resolution passed by the Members of the Company at its 23rd Annual General Meeting held on Saturday, the 15th September, 2007, was authorised to make payments to its Directors (other than the Managing and Wholetime Directors of the Company) of a commission of 1% (One percent) of the net profits of the Company for each of the Financial Year for a period of five (5) years commencing from 1st April, 2007 and upto 31st March, 2012.

In terms of the provisions under Section 309(7) of the Companies Act, 1956, which provides that a Special Resolution passed under Section 309(4) of the Act shall not remain in force for more than five (5) years at a stretch, the previous resolution as stated to have passed hereinabove remained valid upto the end of Company's Financial year ended on 31st March, 2012. Accordingly it is proposed to pass a fresh Resolution by way of Special Resolution authorizing the Company for payment of such commission for each Financial Year in pursuance of Section 309(4) read with Section 309(7) of the Companies Act, 1956 for a further period of five (5) years commencing from 1st April, 2012 and upto 31st March, 2017. The Resolution set out under item no. 6 of the accompanying Notice is intended for seeking Member's approval and your Directors accordingly recommend the same.

All the Directors of the Company are interested or concerned in the resolution to the extent the commission as may be payable to them in accordance with the proposed resolution.

Place : Noida
Date : the 26th May, 2012

By Order of the Board
N. Goenka
Director

SCHABLONA INDIA LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Twenty Eighth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2012.

ACCOUNTS	31.03.2012 (Rs. in Lacs)	31.03.2011 (Rs. in Lacs)
Gross Sales	4591.50	4170.43
Less: Excise Duty	201.11	103.46
Net Sales	4390.39	4066.97
Gross Profit for the year under review	265.77	316.44
Less: Depreciation for the year	68.75	64.39
Profit for the year	197.02	252.05
Less: Provision for Income Tax	65.00	72.00
Add/Less: Deferred Tax Assets/Liability	(11.38)	7.07
Less: Income Tax for earlier years	6.32	1.30
	137.08	171.68
Add: Balance brought forward from earlier years	541.62	417.87
Surplus available for appropriation	678.70	589.55
Appropriations		
Proposed Dividend on Equity Shares	25.27	25.27
Tax on Proposed Dividend	4.10	4.21
Transferred to General Reserve	25.00	18.45
Balance Carried to Balance Sheet	624.33	541.62
Total	678.70	589.55

DIVIDEND

Your Directors are pleased to recommend a dividend of Re. 0.80 per share on paid-up equity share of Rs. 4/- each of the Company for the year under review.

GENERAL DESCRIPTION

Your Company is in a highly creative fashion oriented decorated tiles and decal manufacturing. The changing trends and emergence of inkjet digital printing technology and easy plagiarism of designs by the un-organised sector have taken a heavy toll on the company's growth and profitability. However, with our strong creative team base and expertise, we are confident, we will effectively meet all challenges and shall be able to retain our leadership position in the trade.

OPERATION

Sales of 'Decorated Tiles Division' grew by 11.82% from Rs. 3334.40 lacs to Rs. 3728.53 lacs but sales of "Transfer division" have registered a de growth of 9.83% owing to deployment of new technology based direct printing on cylindrical wares by one of our large clients, as also installation of an in house transfer making plant by yet another large client. Although a large number of small customers have been added, yet the slide of sales from Rs. 838.69 lacs to Rs. 756.28 lacs could not be prevented.

In view of growing demand of glass highlighters we have started in house manufacturing of same which will help us in eliminating the quality and availability issues which have been major concerns in the recent past.

We look forward to substantial improvement in the operations in the years to come.

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MARKET AND FUTURE PROSPECTS

Ceramic Transfer Sheets (Decals)

Recent technological changes have struck at the very root of the ceramic transfers Industry and have made a severe impact on Company's revenue. Direct printing on Cylindrical Ware and captive plants by major buyers have adversely affected our business prospects but our unique expertise in gold and platinum based transfers manufacturing and our design supremacy is forcing some of them to come back to us for the requirement of specialised decals. We hope to increase business with them substantially in the near future.

Your Company is responding to the challenges by adding new customers and increasing share of decal consumption of existing buyers and also reaching out to small buyers through innovative logistics measures.

Decorated Tiles

Some fast paced sweeping changes have taken place in the trends and fashions concerning the way tiles are used in bathrooms. The deployment of digital printing machines by tile manufacturers has impacted the demand for third fired motifs and highlighters as these are being produced online now.

Your Company is taking urgent measures to retain its hold and presence in the market through outsourcing of digital tiles as well as other ranges so as to keep its engagement with its customers alive and also place some innovative and unique concepts in the market. It has been observed that the fashion trends regarding usage of borders, motifs, and highlighters etc. have been cyclical in nature and it would not be long before the trend returns in favour of third fired products again.

Trading

With the launch of Full range of Wall Tiles under Keraspana brand a respectable growth has been registered in the year 2011-12 in the Trading vertical. With the positive response that market has given to this range, it is evident that the coming financial year should also be very good.

Launch of Keraspana has helped your Company expand its dealer network outside of the present domain which will not only bring in more sales for the Trading vertical but will also help in improving the sales of manufacturing vertical as well.

The allied activities in Trading Vertical like Pencils, Resin borders, mosaics, sand blasting, sandwiched glass highlighters, toughened glass highlighters also continued successfully.

PUBLIC DEPOSIT

Your Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956.

AUDITORS' REPORT

All the items on which, comments have been made by the Auditors in their report to the Members are self explanatory, as explained by way of notes to the accounts and therefore needs no further explanation by the Board.

DIRECTORS

Mr. Anirudha Kabra and Mr. A. K. Beejawat, Directors of the Company retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

AUDITORS

M/s. A. K. Maheshwari & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and offer themselves for re-appointment and submitted requisite certificate pursuant to Section 224(1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

A report on Corporate Governance along with Management Discussion and Analysis in terms of the Listing Agreement is annexed hereto and forms an integral part of this Report.

SCHABLONA INDIA LIMITED

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required 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 under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 in respect of Company's employees is not being given as there is no employee covered under the prescribed limits there under during the year under review.

SECRETARIAL COMPLIANCE CERTIFICATE

Your Directors are pleased to annex the Secretarial Compliance Certificate for the year 2011-12, forming part of Directors' Report, pursuant to the provisions of 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, if any ;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments 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, 2012 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.

ACKNOWLEDGEMENT

Your Directors acknowledge with sincere gratitude the cooperation and assistance extended by the Central and State Governments, Financial Institutions, Banks, Customers, Dealers, Vendors and Employees.

Place : Noida
Date : the 26th May, 2012

For and on behalf of the Board
G. L. Sultania
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 :
 - i) Timely maintenance of electric motors.
 - ii) Grouping in lighting systems changed to separate lighting system to enable the disconnection of power when not in use.
- 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 (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.

B) TECHNOLOGY ABSORPTION

FORM - B

Research and Development (R & D)

- 1) Specific areas in which R & D carried out by the Company :
 - i) Low Temperature Decal (Cold Transfers).
 - ii) Induction of new highlighters in designer tiles.
 - iii) Development of new sizes and up-gradation of manufacturing process.
- 2) Benefits derived, as a result of the above R & D :

Lower rejections, keeping pace with the updated international technology and better quality.
- 3) Future plan of action and expenditure on R & D :

R & D will be continued in the areas mentioned under item no. 1 above as an ongoing process. Expenses incurred are charged to respective heads and not allocated separately.

Technology absorption, adaptation and innovation

Efforts made and benefits derived :

Installation of new machineries to the existing manufacturing process resulted lower rejections and better quality produced.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs./Lacs

A. Foreign Exchange Outgo	43.06
B. Foreign Currency Earned	14.74

Place : Noida
Date : the 26th May, 2012

For and on behalf of the Board
G. L. Sultania
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 are given below.

Industry Structure & Development

Even though construction Industry is in a positive growth trend yet, decorated tiles Industry is going through a major upheaval like never before. Widespread proliferation of digital printing on ceramic tiles has suddenly usurped the third fired decorated tiles business, most of the units in the unorganised sector have had to close down owing to this sudden change in trends. Even organised units are shifting to alternatives like printing and firing on Glass which is a small reprieve but cannot compensate for the lost market in ceramic tiles segment.

Brand "Keraspana" is gaining acceptance all over and is continually growing at a fast pace. The concept of "Schablona Lounge" where Keraspana and all Schablona products are exclusively displayed and sold has been launched in New Delhi and another such display centre is expected to be launched in Jaipur shortly and many more in pipeline will enable Schablona to position its brand with the top segment of the market.

Transfer division is facing challenges from captive manufacturing facilities put up by major crockery manufacturing units but Schablona has turned to its core competency of bringing out creative designs and presenting to these manufacturers and thereby trying to retrieve the share back. New crockery units are throwing open new opportunities and Schablona is all set to tap into them.

Risk Factors and its Mitigations

- **Obsolescence of Designs** : Designer Tile being a fashion product, design obsolescence is a burning issue for this business. The Company is organizing itself to go mostly for made to order manufacturing to combat this problem, and is strengthening its forecasting methods to be more closer and in sync with market changes.
- **Rising Cost of Inputs, Energy & Transportation** : All the three factors have a major bearing on the profitability; the Company has taken effective steps towards improvements in Efficiency, Cost Cutting and price adjustments.
- **Competition with Un-Organized Sector** : This sector poses threats primarily at the entry level bulk selling products thus impacting topline, the Company is working to fight this challenge by leveraging its capabilities to produce better designs through its state of the art studios and delivering high quality products using advanced machineries at competitive prices.

Internal Control Systems

Budgetary system of control stands fully implemented and compliances are strictly monitored. Schablona Strategic Group consisting of departmental heads discuss every new initiative or expansion before decision taken for actions on the same. Regular audit of systems & accounts of the Company is carried out by the Internal Auditor and it is ensured that Internal Control Systems are adequate and reliable and there is proper compliance of all regulations & 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 & Industrial Relations

The Company continues to have cordial relations with its staff & workers who are continuously being trained to acquire and develop necessary skills for conducting business of the Company in a better way. The Company is employing close to 232 employees as on 31.03.2012. Industrial relations during the year continued to be cordial.

Place : Noida
Date : the 26th May, 2012

For and on behalf of the Board
G. L. Sultania
Chairman

SCHABLONA INDIA LIMITED

SECRETARIAL COMPLIANCE CERTIFICATE

CIN NO of the Company : L51109WB1983PLC036899

Nominal Capital : Rs. 5,00,00,000/-

Paid up Capital : Rs. 1,26,36,860/-

To,

The Members

SCHABLONA INDIA LIMITED

2, Red Cross Place, Kolkata - 700 001

We have examined the various registers, records, books & papers of M/S. SCHABLONA INDIA LIMITED (the Company) 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 financial year ended on 31st March, 2012. In our opinion & to 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 financial year :

1. The Company has kept & maintained all 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 Ministry of Corporate Affairs 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, restriction clauses mentioned in Section 3(1)(iii) of the Act are not applicable.
4. The Board of Directors duly met 4(four) times respectively on 28th May, 2011, 25th July, 2011, 8th November, 2011 & 31st January, 2012 in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. The Company has not passed any Board resolution by circulation during the year under review.
5. The Company has closed its Register of Members for transfer or other purposes during the above financial year from 27th August, 2011 to 3rd September, 2011 (both days inclusive).
6. The Annual General Meeting of the Company for the financial year ended on 31st March, 2011 was held on 3rd September, 2011 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the aforesaid financial year.
8. The Company has not advanced loan to its Director and/or person, Firm or Company referred in the 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 made necessary entries in the register maintained under Section 301 of the Act as and where necessary.
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 Government.
12. The Company has issued 20 new Share Certificates for 2500 Shares on account of loss of original Share Certificate and 2 new Share Certificates for 1500 Shares on account of consolidation during the financial year under review.
13. The Company has:
 - (a) not made allotment of any Equity Share during the year under review.
 - (b) delivered all the certificates on lodgement thereof for transfer/transmission or any other purposes during the above financial year within statutory time limit as prescribed under various provision of the Companies Act and as per listing agreement.
 - (c) declared dividend for the financial year ended on 31.03.2011 and has paid dividend amount to all the eligible Members of the Company as per provisions of the Companies Act, 1956. The Company has deposited the amount of dividend in a separate bank account within statutory time period. The Company issued dividend warrants immediately after the declaration.
 - (d) posted dividend warrants to all of its Members within prescribed time limit.
 - (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 casual vacancy during the above financial year.