

SOMANY CERAMICS LIMITED

Regd. Office: 82/19, Bhakerwara Road, Mundka, New Delhi – 110 041

NOTICE

of the 43rd Annual General Meeting

Notice is hereby given that the 43rd Annual General Meeting of the Members of Somany Ceramics Limited will be held at HL Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, Opposite Safdarjung Tomb, New Delhi - 110011, on Thursday, the 11th August, 2011 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, 2011 and the Profit & Loss Account 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 Shri R. K. Daga, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ravinder Nath, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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:

As a Special Resolution

Re-appointment of Shri Shreekant Somany as Chairman and Managing Director

"RESOLVED THAT in accordance with and subject to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to such other approvals and/or sanctions as may be necessary, consent and/or approval of the shareholders of the Company be and is hereby accorded to the re-appointment of Shri Shreekant Somany ('Shri Somany') as the Chairman and Managing Director of the Company, who shall not retire by rotation pursuant to the relevant provisions including Section 257 of the said Act read with Articles of Association of the Company for a period of 3(Three)

years commencing from 1st September, 2011 till 31st August, 2014 and to his receiving remuneration by way of salary, commission, perquisites and/or allowances as the Chairman and Managing Director of the Company as recommended by the Remuneration Committee and upon the terms, conditions and stipulations contained in the draft Agreement to be entered into between the Company of the ONE PART and Shri Somany of the OTHER PART and also set out in the explanatory statement attached to the notice convening the Forty third Annual General Meeting of the Company (a draft, whereof is placed before the meeting and for the purpose of identification, is subscribed by the Chairman) which Agreement is specifically sanctioned with liberty to the Board of Directors to alter, vary and modify the terms, conditions and stipulations of the said re-appointment of Shri Somany as the Chairman and Managing Director of the Company and/or remuneration payable to him and/or agreement containing the terms and conditions as may be agreed to between the Board of Directors and Shri Somany, provided, however, that the remuneration payable to Shri Somany, shall not exceed the maximum limits for payment of managerial remuneration specified in Schedule XIII to the said Act or any amendment thereto as may be made from time to time or the laws or guidelines as may for the time being in force."

"RESOLVED FURTHER THAT where in any financial year, during his term of office, the Company makes no profits or its profits are inadequate, the Company may pay Shri Somany the existing remuneration as minimum remuneration by way of salary, perquisites and/or allowances exceeding the limit laid down in Clause (C) of Para 1 of Section II of Part II of Schedule XIII to the said Act, as applicable to the Company or such other limits as may be prescribed by the Central Government from time to time as to minimum remuneration with provisions stipulated therein subject to prior approval of Central Government, if and to the extent necessary."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary desirable or expedient to give effect to this resolution."

As a Special Resolution

Re-appointment of Shri Abhishek Somany as Joint Managing Director

"RESOLVED THAT in accordance with and subject to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, any, of the Companies Act, 1956 ("the Act") and subject to such other approvals and/or sanctions as may be necessary, consent and/or approval of the shareholders of the Company be and is hereby accorded to the re-appointment of Shri Abhishek Somany ("Shri Somany") as the Joint Managing Director of the Company, who shall not retire by rotation pursuant to the relevant provisions including Section 257 of the said Act, read with Articles of Association of the Company for a period of 3(Three) years, commencing from 1st June, 2012 till 31st May, 2015 and to his receiving remuneration by way of salary, commission, perquisites and/or allowances, as the Joint Managing Director of the Company as recommended by the Remuneration Committee and upon the terms, conditions and stipulations contained in the draft Agreement to be entered into between the Company of the ONE PART and Shri Somany of the OTHER PART and also as set out in the explanatory statement attached to the notice convening the Forty third Annual General Meeting of the Company (a draft, whereof is placed before the meeting and for the purpose of identification, is subscribed by the Chairman, which Agreement is specifically sanctioned with liberty to the Board of Directors to alter, vary and modify the terms, conditions and stipulations of the said re-appointment of Shri Somany as the Joint Managing Director of the Company and/or remuneration payable to him and/or agreement containing the terms and conditions as may be agreed to between the Board of Directors

and Shri Somany, provided, however, that the remuneration payable to Shri Somany, shall not exceed the maximum limits for payment of managerial remuneration, specified in Schedule XIII to the said Act, or any amendment thereto as may be made from time to time or the laws or guidelines as may for the time being in force."

"RESOLVED FURTHER THAT where in any financial year, during his term of office, the Company makes no profits or its profits are inadequate, the Company may pay Shri Somany the existing remuneration as minimum remuneration by way of salary, perquisites and/or allowances exceeding the limit laid down in Clause (C) of Para 1 of Section II of Part II of Schedule XIII to the said Act, as applicable to the Company or such other limits as may be prescribed by the Central Government from time to time as to minimum remuneration with provisions stipulated therein subject to prior approval of Central Government, if and to the extent necessary."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things, as may be considered necessary desirable or expedient to give effect to this resolution."

By Order of the Board

Ambrish Julka

Assistant General Manager (Legal)
and Company Secretary

Place: New Delhi

Dated : 28th May, 2011

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. An explanatory statement in respect of the Special Business pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of the Notice.

3. Corporate members intending to send their authorised representatives to attend the meeting are requested to send the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.

The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 2nd August, 2011 to Thursday, the 11th August, 2011 (both days inclusive).

Dividend on equity shares as recommended by the 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 2nd August, 2011 and in respect of shares held in the dematerialised form, to those beneficial owners whose particulars will be furnished by the Depositories on the said date.

Members / Proxyholders are requested to bring their copies of Annual Report alongwith them at the meeting.

In accordance with the provisions of Section 205A of the Companies Act, 1956 the Company had from time to time transferred unclaimed/unpaid dividend for and upto the Financial Year ended 31st March, 1995 to the General Revenue Account of the Central Government. Members who have a valid claim to any of the unclaimed/ unpaid dividend as aforesaid may claim the same from the Registrar of Companies, NCT of Delhi & Haryana, New Delhi.

In accordance with the provisions of Section 205C of the Companies Act, 1956, the Company already transferred unpaid/unclaimed amount of refunds against Rights Cum Public Issue of the Company made in the year 1993, unclaimed dividend for the year ended 31st March, 1996 to 31st March, 2002 and unclaimed Debenture Redemption amount and interest on such Debentures upto 30th September, 2000 to Investor Education and Protection Fund. The amount of dividend for the financial year ended on 31st March, 2008 and thereafter remaining unclaimed or unpaid for a period of 7 (seven) years from the dates of their respective payment or transfer to the unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and no claim shall lie against the Company or the said Fund for such transfer and upon such transfer. The Company did not declare any dividend during the financial year 2002-03 to 2006-07.

Members who have not encashed their Dividend Warrants for the financial year ended 31st March, 2008 and onwards are requested to lodge their claim with the Company forthwith.

9. 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.

10. Members holding shares in physical form are requested to notify any change in their address and the Bank Account particulars to the Company's Registrar & Transfer Agent M/s. Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, Kolkata - 700 001. Telephone No. (033) 2248 2248, Fax No. (033) 2248 4787.

11. 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.

12. Members having multiple folios in the same order of name(s) may inform the Company for consolidation into one folio.

13. Brief resume along with other particulars, pursuant to Clause 49 of the Listing Agreement in respect of Non-Executive Directors, offered themselves for re-appointment, are given under the Corporate Governance section of the Annual Report.

14. The Securities and Exchange Board of India (SEBI) has made it mandatory for all Companies to use the bank account details furnished by the Depositories for crediting dividend to the account of respective shareholders. Accordingly, the Company has made arrangements for crediting the dividend through National Electronic Clearing Services (NECS) / Electronics Clearing Services (ECS) to Members account where NECS/ECS 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 Agents, M/s Maheshwari Datamatics Pvt Ltd., directly.

15. The Securities and Exchange Board of India (SEBI) has now mandated to furnish a copy of PAN Card in all the cases of transfer of shares in physical form.

16. 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 Pvt. Ltd., 6, Mangoe Lane, Kolkata 700001, quoting their folio nos. at email ID somany2011@mdpl.in

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

ITEM NOS. 6 & 7

The present tenure of Shri Shreekant Somany (Shri Somany) as Chairman and Managing Director of the Company expires by the efflux of time on 31st August, 2014.

Shri Shreekant Somany (Shri Somany), Graduated in Science, aged about 63 years is an industrialist and currently the Chairman and Managing Director of the Company. He is armed with over 39 years experience of business and Ceramic Industry. He is on the Board of Directors of Companies, namely Shree Cement Ltd., Srisma Ferrites Ltd. and other group Investment Companies.

Having regard to the long association of Shri Shreekant Somany with the Company and taking into account his wide experience over 39 years and vast knowledge in Ceramic Industry, the Board of Directors at its meeting held on 28th May, 2011 has re-appointed Shri Somany, as non-retiring Chairman and Managing Director of the Company, not liable to retire by rotation, for a fresh term of 3 (Three) years commencing from 1st September, 2011 to 31st August, 2014 to continue to avail his valuable experience and expertise in the best interest

of the Company. His appointment and remuneration fixed by the Board have been recommended by the Remuneration Committee and are in accordance with Schedule XIII to the Companies Act, 1956 ("the Act").

Similarly, the present term of Shri Abhishek Somany as Joint Managing Director of the Company expires by efflux of time on 31st May, 2012.

Shri Abhishek Somany, aged about 39 years is a Bachelor of Business Administration from Richmond University, U.K. with specialisation in Finance & Marketing and at present the Joint Managing Director of the Company.

Keeping in view his business acumen and varied experience he acquired during his association with the Company, the Board of Directors considered his appointment useful and appointed Shri Somany as a non-retiring Joint Managing Director of the Company at its meeting held on 28th May, 2011, for a fresh term of 3 (Three) years commencing from 1st June, 2012 to 31st May, 2015. His appointment and remuneration fixed by the Board have been recommended by the Remuneration Committee and are in accordance with Schedule XIII to the Companies Act, 1956 ("the Act").

The Board of Directors has fixed the following remuneration as per recommendation by the Remuneration Committee to be paid to Shri Shreekant Somany, as Chairman and Managing Director and Shri Abhishek Somany, as Joint Managing Director of the Company during their respective fresh terms with power to make such variation or increase therein as may be thought fit from time to time, but within the ceiling laid down in Schedule XIII to the said Act, or any statutory amendment or relaxation thereof;

	Shri Shreekant Somany <i>Chairman and Managing Director</i>	Shri Abhishek Somany <i>Joint Managing Director</i>
1. Period of Appointment	3 (Three) years commencing from 1st September, 2011 to 31st August, 2014	3 (Three) years commencing from 1st June, 2012 to 31st May, 2015
2. Remuneration	Shri Shreekant Somany and Shri Abhishek Somany (hereinafter referred to as "the appointees") shall, in consideration of their services, be entitled to the following remuneration by way of:	
a) Salary	₹ 700,000/- per month	₹ 675,000/- per month
b) House Rent Allowance	₹ 200,000/- per month	₹ 200,000/- per month
c) Commission	The Board may consider and grant an annual increment to the appointees, at its discretion, as may be recommended by the Remuneration Committee.	
d) Perquisites	At the rate of 3% (Three Percent) of net profits of the Company for each financial year computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956.	
	The appointees will be entitled to the following perquisites in addition to their salary, house rent allowance and commission subject to overall limit laid down in Schedule XIII to the Companies Act, 1956.	

Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows:-

CATEGORY - A

This will comprise of leave travel concession, medical reimbursement, fees of clubs and personal accident insurance. These may be provided for as under:-

Medical Reimbursement

Reimbursement of expenses incurred by the appointees for self and their family, subject to the ceiling of their respective one month salary in a year or 3 (Three) months' salary over a period of 3 years.

Leave Travel Concession

The appointees and their family once in a year incurred in accordance with the rules of the Company.

Club Fee

Fees of Clubs subject to a maximum of two clubs for each appointee. This will not include admission and life membership fees.

Personal Accident Insurance

For Chairman and Managing Director and Joint Managing Director of an amount, the premium of which does not exceed ₹ 10,000/- per annum each.

Explanation:

For the purpose of CATEGORY 'A', Family means, the spouse, the dependent children and dependent parents of the appointees.

The expenditure incurred by the Company on Gas, Electricity, Water and furnishings shall be valued as per the Income Tax Rules, 1962.

CATEGORY - B

Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent not taxable under the Income Tax Act, 1961.

Gratuity payable should not exceed half a month's salary for each completed years of service.

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 be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company to the appointees.

Appointees shall also be provided with a mobile, laptop and internet connection for the purpose of the Company's business, which will also not form part of perquisites.

Overall Remuneration

Subject to an overall limit of 5% of the net profit individually and 10% of the net profit collectively payable to the Chairman and Managing Director and Joint Managing Director as calculated in accordance with Section 198 and 309 and other applicable provisions 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 the appointees, the Company may pay them existing remuneration by way of consolidated salary and perquisites exceeding the limits laid down under Clause (C) of Para 1 of Part II of Section II of Schedule XIII to the said Act, as may be applicable at the relevant time, subject to the necessary approval of Central Government, if and to the extent required.

The perquisites specified in paragraph 2 of Section II of Part II of Schedule XIII to the Act, however shall not be included in the computation of the ceiling on remuneration specified under Para 1 of Section II of Part II of Schedule XIII to the Act.

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.

Sitting Fee

The appointees shall not so long as they act as Chairman and Managing Director and Joint Managing Director of the Company be paid any sitting fees for attending any meeting of the Board or Committee thereof.

Termination

Notwithstanding anything contained in this Agreement, either party, shall be entitled to determine this Agreement by giving 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 the appointees three months' salary as specified hereinabove under the head Remuneration, 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 the appointees by being delivered either personally to them or left for them at their addresses last known to the Company or sent by registered post addressed to them 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.

In terms of requirements under Schedule XIII to the Companies Act 1956, the Company requires to seek members approval by a special resolution for minimum remuneration payable to the respective appointees in the scale laid down in Clause (C) of Para 1 of Part II of Section II of the said Schedule XIII to the Act. In the event of loss or inadequate profits, the Company will obtain approval of Central Government for continuing the payment of Remuneration to the aforesaid appointees.

The Board accordingly recommends the Resolutions set out in item Nos. 6 & 7 of the accompanying Notice for members' approval by way of Special Resolutions.

Memorandum of Interest

None of the Directors other than Shri Shreekant Somany and Shri Abhishek Somany may be deemed to be interested and/or concerned in the resolutions.

Inspection of documents

The draft of the proposed Agreements to be entered into between the Company and the appointees are available for inspection by the Members of the Company at its Registered Office, on any working day prior to the date of the meeting during 3.00 p.m to 5 p.m and will also be available at the meeting.

Abstract of Terms and Conditions

This should be treated as an abstract of the terms of appointment and memorandum of interest of the respective appointees as required under Section 302 of the Act.

In terms of the amended Schedule XIII of the Companies Act, 1956 the following information is given to the shareholders:

I. General Information:

(1) Nature of Industry : Manufacturing of Ceramic Tiles

(2) Date of commencement of Commercial production : 1972

(3) Financial Performance : (₹ in Lacs)

Year ended 31st March	Sales	Operating Profit	Profit Before Tax	Profit After Tax
2007	29528	3119	489	252
2008	35143	3786	748	406
2009	46277	4354	1347	874
2010	56302	5832	3056	2045
2011	75178	6892	3371	2343

(4) Export Performance : Export for the year 2010-11 was at ₹ 801.35 Lacs.

(5) Foreign investors or Collaborators : One Overseas Corporate Body is holding 1277500 shares representing 3.70% and 27 NRI's are holding 121570 shares representing 0.35% in the share capital of the Company as on 31st March, 2011.

II. Information about the appointees

	Shri Shreekant Somany		Shri Abhishek Somany	
(1) Background details	He is an Industrialist and currently the Chairman and Managing Director of the Company. He is a graduate and holds B.Sc. degree and has over 39 years of experience in business of Ceramic Tiles, Sanitaryware & Glassware.		He is Bachelor of Business Administration from Richmond University, U.K. with specialisation in Finance & Marketing. He received specialised intensive training of manufacturing Ceramic Tiles in Pilkington's Tiles, U.K. at their Manchester and Brighton Plants. He has also attended Advanced Management Course at Sunridge Park, U.K.	
(2) Past Remuneration (including contribution to Provident Fund)			(₹ in Lacs)	
	2006-2007	39.09	2006-2007	27.97
	2007-2008	51.56	2007-2008	39.15
	2008-2009	83.36	2008-2009	54.04
	2009-2010	161.41	2009-2010	137.85
	2010-2011	192.67	2010-2011	187.69
	The Remuneration received in the year 2008-09, 2009-10 and 2010-11 includes directors' commission also.			
(3) Recognition and Awards	The appointees take interest in the social and cultural activities.			

<p>4) Job profile and his suitability</p>	<p>Shri Shreekant Somany is Chairman and Managing Director of the Company. Devotes his whole time and attention to the business and management of affairs of the Company and carries out such duties as entrusted to him by the Board and exercises such powers as assigned to him from time to time by the Board subject to superintendence control and direction of the Board in connection with and in the best interest of the Company including the business of its associated and or its subsidiaries. He is one of the Promoters of the Company. Under his stewardship the Company has significantly grown and has emerged as one of the prominent member of the Indian Ceramic Tile Industry. His job profile centers around to provide vision, guidance and direction for long term growth of the Company.</p>	<p>Shri Abhishek Somany, Joint Managing Director, is overall incharge of the operations of the Company and looks after day to day management and administration of the Company, subject to superintendence, control & direction of the Board. His job profile mainly includes implementation of investment plans and strategic planning for consistence improved operations and performance for long term growth in the Company.</p>
<p>Remuneration proposed</p>	<p>Salary ₹ 700,000/- and HRA ₹ 200,000/- per month respectively and other perquisites, Commission at the rate of 3% of net profits of the Company computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956.</p>	<p>Salary ₹ 675,000/- and HRA ₹ 200,000/- per month respectively and other perquisites, Commission at the rate of 3% of net profits of the Company computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956.</p>

<p>(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person</p>	<p>The remuneration proposed to Shri Shreekant Somany and Shri Abhishek Somany is in consonance with their respective similar position in the Industry.</p>
<p>(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any</p>	<p>Except Salary and Perquisites to be received from the Company by the appointees including their relatives and to receive dividend declared by the Company, if any, including amounts disclosed in the Annual Report under the related party transactions, Shri Shreekant Somany and Shri Abhishek Somany do not have any pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel of the Company.</p>

III. Other Information

<p>(1) Reasons of loss or inadequate profits</p>	<p>There is profit, but as an abundant caution for payment of minimum remuneration to the Chairman and Managing Director and Joint Managing Director in case of no profit or inadequate profits in any particular year the information is provided to the Shareholders.</p>
<p>(2) Steps taken or proposed to be taken for improvement</p>	<p>All around reduction in cost and better product mix to achieve higher realisations.</p>
<p>(3) Expected increase in productivity and profits in measurable terms</p>	<p>Initiatives involving product development, introduction of value added products and such other steps are being taken to improve the overall productivity and to achieve profitability of the Company.</p>

By Order of the Board

Ambrish Julka

Assistant General Manager (Legal)
and Company Secretary

Place: New Delhi
Dated: 28th May, 2011

DATE	DESCRIPTION	AMOUNT	CHECK NO.	BANK
1/15/20	DEPOSIT	100.00		ABC BANK
1/20/20	PAYROLL	50.00	101	ABC BANK
1/25/20	RENT	200.00	102	ABC BANK
2/1/20	SALES	150.00		ABC BANK
2/5/20	UTILITIES	75.00	103	ABC BANK
2/10/20	DEPOSIT	300.00		ABC BANK
2/15/20	PAYROLL	50.00	104	ABC BANK
2/20/20	RENT	200.00	105	ABC BANK
2/25/20	SALES	150.00		ABC BANK
3/1/20	UTILITIES	75.00	106	ABC BANK
3/5/20	DEPOSIT	300.00		ABC BANK
3/10/20	PAYROLL	50.00	107	ABC BANK
3/15/20	RENT	200.00	108	ABC BANK
3/20/20	SALES	150.00		ABC BANK
3/25/20	UTILITIES	75.00	109	ABC BANK
3/31/20	DEPOSIT	300.00		ABC BANK