



Annual

Report

2001-02

English Indian Clays Limited

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Regd. Office : KP-III/428, Veli, Thiruvananthapuram - 695 021 (KERALA)

NOTICE

The Thirty Eighth Annual General Meeting of the members of the Company will be held at its registered office at KP-III/428, Veli, Thiruvananthapuram - 695 021 (KERALA) on Monday, 22nd July, 2002 at 11.30 a.m. to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31st March, 2002, the profit and loss Account for the year ended on that date and reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri B.M. Thapar who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri Vijay Rai who retires by rotation and is eligible for reappointment.
5. To appoint the Auditors and to fix their remuneration :-

M/s Price Waterhouse, Chartered Accountants, the present Auditors of the Company retires and are eligible for reappointment.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or reenactment thereof, for the time being in force), to the Board of Directors of the Company to create second charge on all or any of the immovable properties of the Company in favour of Oriental Bank of Commerce, situated at Veli, Trivandrum both present and future, of the whole or substantially the whole of the said undertaking of the Company in such form and in such manner as the Board may think fit together with power to take over the management of the business and concern of the said undertaking in certain events, for securing the followings:

a) Fund based facilities

Cash Credit	: Rs. 500 lacs
Packing Credit	: Rs. 50 lacs
Bills purchased/discounted	: Rs. 50 lacs
Non-fund based	: Rs. 50 lacs
TOTAL	: Rs. 650 lacs

- b) All interests, compound/additional interest, commitment charges, costs, charges, expenses, and all other monies payable by the company to Oriental Bank of Commerce.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to finalise with Oriental Bank of Commerce, the documents in relation to or for creating the mortgage and/or second charges as aforesaid and to do all such acts, deeds and things including execution of any documents as may be necessary or expedient for giving effect to this resolution".

"RESOLVED FURTHER that the aforesaid charge shall be pari-passu to the mortgage/charges created/to be created in favour of other financial institution(s) in respect of other financial assistance obtained".

7. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED that the consent of the Company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or reenactment thereof, for the time being in force), to the Board of Directors of the Company to create equitable mortgage of all immovable properties of the Company situated at Veli, Thiruvananthapuram (Kerala), Yamunanagar (Haryana) and Pondicherry in favour of UTI Bank Ltd. both present and future, of the whole or substantially the whole of the said undertaking of the Company in such form and in such manner as the Board may think fit together with power to take over the management of the business and concern of the said undertaking in certain events, for securing the followings:

- a) Term Loan of Rs. 10 Crores.

- b) All interests, compound/additional interest, commitment charges, costs, charges, expenses, and all other monies payable by the Company to UTI Bank Ltd.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to finalise with UTI Bank Ltd., the documents in relation to or for creating the mortgage as aforesaid and to do all such acts, deeds and things including execution of any documents as may be necessary or expedient for giving effect to this resolution".

"RESOLVED FURTHER that the aforesaid charge shall be pari-passu to the mortgage/charges created/to be created in favour of other financial institution(s) in respect of other financial assistance obtained".

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.
2. THE SHARE TRANSFER BOOKS AND REGISTER OF MEMBERS OF THE COMPANY SHALL REMAIN CLOSED FROM 19th JULY, 2002 TO 22nd JULY, 2002 (BOTH DAYS INCLUSIVE)
3. THE DIVIDEND SHALL BE PAID TO THOSE SHAREHOLDERS WHOSE NAMES APPEAR AS BENEFICIAL OWNERS AS AT THE END OF THE BUSINESS HOURS ON 22nd JULY, 2002, AS PER LIST TO BE FURNISHED BY DEPOSITORIES IN RESPECT OF THE SHARES HELD IN ELECTRONIC FORM AND AS A MEMBER ON THE REGISTER OF MEMBERS AS ON 22nd JULY, 2002, IN RESPECT OF THE SHARES HELD IN PHYSICAL FORM.
4. THE COMPANY HAS BEEN LINKED UP WITH THE NATIONAL SECURITIES DEPOSITORY LIMITED (NSDL) AND CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED (CDSL) TO PROVIDE MEMBERS WITH FLEXIBILITY WHEN TRADING IN THE COMPANY'S SHARES IN ELECTRONIC FORM. THE COMPANY'S SHARES ARE COMPULSORILY REQUIRED TO BE TRADED IN DEMATERIALIZED FORM AND MEMBERS ARE REQUESTED TO AVAIL THE FACILITIES.
5. THE COMPANY HAS APPOINTED M/S RCMC SHARE REGISTRY (P) LTD, 1515, (1ST FLOOR), BHISHAM PITAMAH MARG, KOTLA MUBARAKPUR, NEW DELHI - 110 003 AS THE REGISTRAR & TRANSFER AGENT OF THE COMPANY FROM 10th APRIL, 2002 IN PAPER AND ELECTRONIC FORM. MEMBERS ARE REQUESTED TO SEND THEIR SHARES FOR TRANSFER TO M/S RCMC SHARE REGISTRY (P) LTD.
6. AS PER COMPANIES UNPAID DIVIDEND (TRANSFER TO GENERAL REVENUE ACCOUNT OF THE CENTRAL GOVERNMENT) RULES, 1978, MEMBERS ARE HEREBY INFORMED THAT ANY UNPAID DIVIDEND DECLARED IN RESPECT OF THE YEAR ENDED UPTO 31ST MARCH, 1994 HAVE BEEN TRANSFERRED TO THE GENERAL REVENUE ACCOUNT OF THE CENTRAL GOVERNMENT.

By Order of the Board
for **ENGLISH INDIAN CLAYS LTD.**

Place : New Delhi
Dated : 7th June, 2002

K.N. RISHIKESH
COMPANY SECRETARY

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

ITEM NO. 6

The Company had been sanctioned working capital facilities to the extent of Rs.600 lacs on Fund based and Rs.50 lacs on Non-Fund based from Oriental Bank of Commerce for its working capital requirement. This working capital facilities would be secured by creating second charge on the entire immovable properties. The Second charge will be pari-passu to the mortgage/charge(s) created/to be created in favour of the financial institutions. For creation of Charges on Company's assets shareholders' approval is required U/s 293(1)(a) of the Companies Act, 1956.

Hence, the resolution is recommended for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

ITEM NO. 7

The Company had been sanctioned a term loan facility of Rs.10 Crores from UTI Bank Ltd. for normal capital expenditure and general corporate purposes. This term loan facility would be secured by creation of equitable mortgage of all immovable properties of the Company situated at Veli, Thiruvananthapuram (Kerala), Yamunanagar (Haryana) and Pondicherry and hypothecation of first pari-passu charge over all the moveable fixed assets of the company (except book debts). This charge will be pari-passu to the mortgage/charge(s) created/to be created in favour of the financial institutions. For Creation of Charges on Company's assets, shareholders' approval is required U/s 293(1)(a) of the Companies Act, 1956.

Hence, the resolution is recommended for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

By Order of the Board
for **ENGLISH INDIAN CLAYS LTD.**

Place : New Delhi
Dated : 7th June, 2002

K.N. RISHIKESH
COMPANY SECRETARY

PROXY

I/We of
being a member of **ENGLISH INDIAN CLAYS LIMITED** holding
..... hereby appoint
of..... or failing him/
her.....

as my/our proxy to vote for me/us and on my/our behalf at the Extra Ordinary
General Meeting of the Company to be held on Monday the 22nd July, 2002
at 11.30 a.m. at the Registered Office of the Company at K.P.-III/428, Veli,
Thiruvananthapuram-695021 and at any adjournment thereof.

As witness my/our hand/s this
day of Signed by the said
.....2002

In the presence of

Affix Re.1/- Reveue Stamp



English Indian Clays Limited

CHAIRMAN-CUM MANAGING DIRECTOR	:	MR. KARANTHAPAR
DIRECTORS	:	MR. B. M. THAPAR MR. S. N. DUA MR. M. L. KHEMKA MR. S. K. TOSHNIWAL MR. S. PADMAKUMAR DR. A.K.BHATTACHARYA (ICICI Nominee) MR. VIJAY RAI
GENERAL MANAGER CORPORATE-FIN. & ACCTS.	:	S.K.JAIN
COMPANY SECRETARY	:	K.N.RISHIKESH
AUDITORS	:	M/s. PRICE WATERHOUSE CHARTERED ACCOUNTANTS
BANKERS	:	ORIENTAL BANK OF COMMERCE
REGISTERED OFFICE	:	KP/III/428, VELI , THIRUVANANTHAPURAM - 695 021
CORPORATE OFFICE	:	N-75, CONNAUGHT CIRCUS, NEW DELHI -110 001.
WORKS	:	VELI, THIRUVANANTHAPURAM YAMUNANAGAR, HARYANA PONDICHERRY, U.T.

NAME OF STOCK EXCHANGES WHERE THE SHARES OF THE COMPANY ARE LISTED
COCHIN, DELHI, MUMBAI AND MADRAS
LISTING FEES FOR THE YEAR 2001-2002 PAID TO ALL THE ABOVE STOCK EXCHANGES

ENGLISH INDIAN CLAYS LIMITED



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ENGLISH INDIAN CLAYS LIMITED**DIRECTORS' REPORT****FOR THE YEAR ENDED 31ST MARCH, 2002**

To

The Members:

Your Directors are pleased to present the Annual Report with audited accounts for the year ended 31st March, 2002.

ACQUISITION OF STARCH BUSINESS UNDER SCHEME OF REORGANISATION BY WAY OF MERGER OF ERSTWHILE BHARAT STARCH INDUSTRIES LTD. (BSIL) INTO THE COMPANY.

The Scheme of reorganization by way of arrangement, amalgamation and reconstruction between the Company and Bharat Starch Industries Ltd., BILT Bio-Chemicals Ltd. and Bharat Projects Ltd. was approved by the respective High Courts at Ahmedabad, Cochin and New Delhi vide their orders dated 8th February, 2002, 10th April, 2002 and 9th May, 2002 respectively. The said Scheme has become effective w.e.f. 07-06-2002, the transfer date being 1-04-2001. In the said scheme the Residuary Undertaking i.e. Starch Division and Investments of erstwhile Bharat Starch Industries Ltd. the Transferor Company, has merged with your Company and the accounts for the year ended 31-03-2002 represents a consolidated position of the clay and starch division prepared in terms of the scheme as sanctioned by the respective High Courts and therefore the figures for the year under review are not strictly comparable with the results of the previous year. For better understanding of the Clay operation results, for purposes of comparison, members are advised to review the figures presented in the Notes to the Accounts which forms a part of the Accounts.

Last year's Annual Report had mentioned in detail your company's attempt to honour its Corporate Guarantee obligations to the secured lenders to Bharat Starch by way of a Scheme of Re-organization involving BSIL, BILT Bio-chemicals Ltd., the Company and its subsidiary Bharat Projects Ltd. The Scheme involved sale of BSIL's Citric Acid Business to BILT Bio-chemicals Ltd.; merger of the Residuary Business (Primarily Starch) and BSIL into the Company, alongwith a Reconstruction of Bharat Projects Ltd. involving a substantial Capital Reduction to reflect the diminution in the later's assets. These Schemes required the consents of shareholders of all the companies involved, their secured and un-secured creditors, the Financial Institutions and Banks involved, and the three High Courts at Ahmedabad, Cochin and New Delhi and has taken 14 months to complete. Our compliments and congratulations to all the persons and entities involved in resolving a difficult situation which had dragged on for four years. With this report we seek to put the past behind us and look forward to an encouraging future.

The financial impact of the merger is clearly reflected in the Accounts and in the Notes to the Accounts. Briefly, your company has acquired BSIL's starch business comprising of two factories at Yamunanagar and Pondicherry for approximately Rs.46 Crores, which has been mainly funded by debt, liabilities, and some cash. As a consequence, the Company's financial charges have increased substantially from Rs.3.10 Crores to Rs.8.26 Crores and debt has increased from Rs.16.0 Crores to Rs.65.0 Crores approx. as at the end of the year under review. Depreciation has also increased substantially from Rs.1.43 Crores to Rs.4.47 Crores as a consequence of the merger. On the other hand the Company's Gross Operating Profit has increased from Rs.16.71 Crores to Rs.24 Crores reflecting the intrinsic profitability of the starch business and we are confident therefore that the merger will not pose any undue financial burden on the Company, whose total debt to Net Worth Ratio continues to remain extremely favourable.

ENGLISH INDIAN CLAYS LIMITED

(Rs. in Crores)		
FINANCIAL RESULTS	31st March, 2002	31st March, 2001
Gross operating Profit earned for the year (before interest and depreciation)	23.99	16.71
Less: Interest	8.26	3.10
Gross Profit before Depreciation	15.73	13.61
Less: Depreciation	4.47	1.43
Net Profit	11.26	12.18
To which is added: Balance brought forward from the previous year	3.45	1.14
Exceptional items	1.10	-
Debenture redemption reserve transferred	-	3.52
Prior period adjustment	0.10	-
From which is deducted: Provision for Taxation	1.17	3.81
Deferred Tax	3.54	-
Leaving a balance of	11.00	13.02
Which your Directors recommend to be appropriated as under:		
Dividend at 30% (subject to deduction of tax)	1.34	0.96
Tax on Dividend	-	0.09
Transfer to General Reserve	5.00	8.52
Carried forward to next year's account	4.66	3.45

DIRECTORS' COMMENTS ON AUDITOR'S OBSERVATION

The Company's explanation to the Auditor's observations in para 3 of their report have been detailed in note Nos.3 & 5 in schedule 25 to the accounts which form part of the Annual Reports. We would like to state, however, that the major disallowances giving rise to the demand of Rs.5.16 Crores approx. have already been decided in your Company's favour.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 30% on the paid up Equity Share capital of Rs.3,82,09,000 and on Rs.64,80,800 (To be issued and allotted pursuant to the Scheme of Reorganization w.e.f. 01-04-2001) amounting to Rs. 1,34,06,940 subject to deduction of tax at source as applicable under Income Tax Act, 1961.

OPERATIONS**A) CLAY**

The year under review has been favourable with clay operations crossing the 100000 MT mark for the first time both in terms of sale and production. Some new products and some new applications were developed during the year which will enable the clay operation to continue its progress up the value chain.

B) STARCH**(i) Corn Milling Plant**

This is located in Yamunanagar, Haryana State, employs approximately 400 persons and produce Starches, Liquid Glucose and Maltose Syrup. Starch is obtained by grinding and milling of Maize (Corn) and occasionally of Jawar. The production for the year was 44533 MT (18127 MT of starch used for captive consumption); in the previous year 42458 MT (18574 MT of starch used for captive consumption). This plant operates at 100% capacity utilization.

(ii) Biopolymer Plant

This is located in Pondicherry and primarily manufactures modified starch for the Textile, Food and Paper Industries and employs about 70 persons. Production involves the chemical modification of native (plain) starch which in turn finds value - adding applications at the user end. The production for the year was 8168 MT, in the previous year 9347 MT. Capacity utilization was 95% during the year under review.

C) EXPORT

Your Company exported a value of Rs.2.29 Crores primarily consisting of clay products. We are pleased to report that all operations were profitable during the year under review.

NEW PROJECTS

Your Company is in the process of setting up a new 20000 MTPA calcined clay plant at Thonnakal, Kerala where one of its existing mining sites is located. The cost of the project will be approx. Rs.17 Crores and is expected to be installed and commissioned in the second quarter of the next financial year i.e. July - September, 2003. This project will be the culmination of a small R&D cum Laboratory pilot project which was started off in 1993 followed by a commercial pilot plant of 2500 MTPA in 1995-96; and which has now been expanded to 6000 MTPA to meet the existing demand for the product. The proposed new plant will cater to the growing demand for the company's products both in the domestic and foreign markets.

SUBSIDIARY

As required under Section 212 of the Companies Act, 1956, the statement and audited statement of accounts of the subsidiary Company - Bharat Projects Ltd. are attached herewith. In terms of SEBI Notification and in accordance with the AS-21, the accounts of the subsidiary company are consolidated with the company and consolidated financial statements are also presented to the shareholders.

RESEARCH & DEVELOPMENT

Particulars with respect to R&D activities carried out and the expenditure incurred thereon during the year under review are provided in Form B annexed to this report.

FIXED DEPOSITS

On 31st March, 2002 fixed deposit amounting to Rs.27,42,000 which became due for repayment had remained unclaimed by 109 depositors.

ENGLISH INDIAN CLAYS LIMITED**CORPORATE GOVERNANCE**

The Company has complied with the code on corporate governance as prescribed by the Securities & Exchange Board of India (SEBI) and had taken all necessary steps to ensure that the guidelines prescribed by SEBI in this regard are fully complied with.

AUDIT COMMITTEE

In terms of section 292 (A) and SEBI Guidelines for Corporate Governance, the Company has constituted an Audit Committee comprising of 3 Non-Executive Directors viz. (1) Shri S.N.Dua, Chairman, (2) Shri S.K.Toshniwal and (3) Shri Vijay Rai as Members of the Audit Committee.

SHAREHOLDERS' GRIEVANCE COMMITTEE

In terms of SEBI Guidelines and Listing Agreement with the Stock Exchanges for Corporate Governance, the Company has constituted a Shareholders' Grievance Committee comprising of 3 Non-Executive Directors viz. (1) Shri S.K. Toshniwal, Chairman, (2) Shri S.N. Dua and (3) Shri Vijay Rai as Members of the Committee to look into the grievance of shareholders.

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

As required under rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy and detail of Technology absorption in respect of Starch Division is annexed herewith in Form A.

The company has made the export earnings of Rs.2.27 Crores and remittance of foreign currency equivalent to Rs.1.23 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.5, 3 & 4 of Schedule 25(B).

DIRECTORS

Shri B.M. Thapar and Shri Vijay Rai, Directors of the Company being longest in the office, retire by rotation and are eligible for reappointment. Their appointments are recommended for your approval.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees are covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended upto date.

AUDITORS

M/s Price Waterhouse, Chartered Accountants, the existing Auditors retire and are eligible for reappointment. Their appointment is recommended for your approval.

RESPONSIBILITY STATEMENT

- a) The Company has followed the applicable accounting standards in the preparation of the Annual Accounts for the year ending 31-03-2002 and there is no material deviation from the previous year.
- b) The Company has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year ended 31st March, 2002 and of the profit of the year ended 31.03.2002.
- c) The Company has 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