



Annual Report
2005-06



English Indian Clays Limited



English Indian Clays Limited

CHAIRMAN	:	MR. KARAN THAPAR
DIRECTORS	:	MR. B. M. THAPAR MR. S. N. DUA MR. M. L. KHEMKA MR. S. K. TOSHNIWAL MR. S. PADMAKUMAR MR. J. K. JAIN (ICICI Nominee) MR. VIJAY RAI
EXECUTIVE DIRECTOR	:	MR. D. KOHLI
VICE PRESIDENT CORPORATE FINANCE ACCOUNTS & ADMINISTRATION	:	MR. S. K. JAIN
COMPANY SECRETARY & HEAD CORPORATE LEGAL	:	MR. P.S. SAINI
AUDITORS	:	M/s. PRICE WATERHOUSE CHARTERED ACCOUNTANTS
BANKERS	:	ICICI BANK LIMITED UTI BANK LIMITED ORIENTAL BANK OF COMMERCE STATE BANK OF INDIA STATE BANK OF INDORE
REGISTERED OFFICE	:	TC-79/4, VELI, THIRUVANANTHAPURAM - 695 021 KERALA
CORPORATE OFFICE	:	GLOBAL BUSINESS PARK 801-803, TOWER-B MEHRAULI-GURGAON ROAD GURGAON-122 001 (HARYANA)
WORKS	:	THIRUVANANTHAPURAM (KERALA) YAMUNANAGAR (HARYANA) PONDICHERRY (U.T.)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE
LISTING FEE FOR THE YEAR 2006-2007 PAID TO BOMBAY STOCK EXCHANGE LTD.

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ENGLISH INDIAN CLAYS LIMITED

DIRECTORS' REPORT**FOR THE YEAR ENDED 31st MARCH, 2006**

To
The Members :

Your Directors are pleased to present the Annual Report with audited statement of accounts for the year ended 31st March, 2006

(Rs. in Crores)

	31st March 2006	31st March 2005
Gross operating Profit earned for the year (before interest and depreciation)	41.82	37.29
Less : Interest	9.83	11.79
Gross Profit before Depreciation	31.99	25.50
Less : Depreciation	7.51	6.68
Profit for the year	24.48	18.82
To which is added :		
- Balance brought forward from the previous year	4.04	3.98
From which is deducted :		
- Provision for Taxation		
Current Tax	5.40	0.75
Fringe Benefit tax	0.36	-
Short (Excess) Provision adjusted	0.24	(0.66)
Deferred Tax	0.82	3.71
Leaving a balance of	21.70	19.00
Which your Directors recommend to be appropriated As under :		
Interim Dividend Paid		
- 5% on Preference Shares (last year 5%)	0.50	0.50
Proposed Dividend		
- @5% on Preference Shares	0.50	0.50
- @100% on Equity Shares (previous year 75%)	4.47	3.35
Tax on Dividend	0.76	0.61
Transfer to General Reserve	10.00	10.00
Carried forward to next year's account	5.47	4.04

ENGLISH INDIAN CLAYS LIMITED**DIVIDEND**

During the year your Directors had declared and paid an interim dividend @ 5% on 10% Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 50,00,000/-.

Your Directors are pleased to recommend a further dividend @ 100% on the Equity Share Capital of Rs. 4,46,89,790/- amounting to Rs. 4,46,89,790/- and 5% on 10% Cumulative Redeemable Preference Shares Capital of Rs. 10,00,00,000/- amounting to Rs. 50,00,000/-. The total outgo on account of Preference and Equity Dividend including dividend tax of Rs. 76,70,243/- will be Rs. 6,23,60,033/-.

OPERATIONS

During the year under review, your Company has improved its performance on almost every front like productivity, product mix, quality etc. which has resulted in better operational and financial performance of the Company.

Your Company recorded a turnover of Rs. 207.43 Crores as against Rs. 170.26 Crores in the previous year registering a growth of 22%. The net profit of the Company has increased to Rs. 17.66 Crores as compared to Rs. 15.02 Crores in the previous year. A detailed review of the operations and performance of clay and starch units is contained in the Management Discussion & Analysis Report which is appended to the Directors' Report and form part of it.

RESEARCH & DEVELOPMENT

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

FIXED DEPOSITS

On 31st March, 2006 fixed deposit amounting to Rs. 11,59,000/- which became due for repayment had remained unclaimed by 43 depositors.

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. A compliance report alongwith Auditor's Certificate and the management discussion and analysis is appended herewith.

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.

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The company has recorded export earnings of Rs. 8.41 Crores and remittance of foreign currency equivalent to Rs. 3.49 Crores towards various purposes, details of which have been incorporated in the Notes to Accounts No. 3 to 5 of Schedule 25 (B).

DIRECTORS

Shri Karan Thapar, Shri S.N. Dua and Shri S.K. Toshniwal, Directors of the Company being longest in the office, retire by rotation and are eligible for reappointment. Their appointment are recommended for your approval. The profile of the Directors seeking reappointments form part of the Corporate Governance Report.

During the year under review ICICI Bank Ltd. had withdrawn Dr. A.K. Bhattacharya from the Board of the Company and nominated Shri J.K. Jain on the Board of the Company w.e.f. 26th May, 2006. The Board of Directors wish to place on record the appreciation for the valuable guidance given by Dr. A.K. Bhattacharya during his tenure on the Board of the Company.

PROMOTER GROUP

The Company is a part of B.M. Thapar Group. The Promoter Group holding in the Company currently is 83.74% of the Company's Equity Capital. The Members may note that B.M. Thapar Group, inter alia, comprise of the following Companies (1) Crompton Greaves Ltd., (2) Greaves Cotton Ltd., (3) Premium Energy Transmission Ltd., (4) Solaris Biochemicals Ltd., (5) Pembril Industrial & Engineering Company Pvt. Ltd., (6) DBH International Pvt. Ltd. (7) Karun Carpets Pvt. Ltd. (8) Solaris Holdings Ltd., (9) Greaves Leasing Finance Ltd., (10) Bharat Projects Pvt. Ltd. (11) Dee Greaves Ltd., (12) KCT Chemicals & Electricals Ltd. (13) Standard Refinery & Distillery Ltd., (14) Bharat Starch Products Ltd., (15) Solaris Chem Tech Ltd. and (16) Solaris Industrial Chemicals Ltd.

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

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed;

- a) That the Company has followed the applicable accounting standards in the preparation of the Annual Accounts for the year ending 31-03-2006 and there is no material deviation from the previous year;
- b) That 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

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and fair view of the state of affairs of the Company for the year ended 31st March, 2006, and of the profit of the year ended 31.03.2006.

- c) That 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 irregularities and;
- d) That the Annual Accounts are prepared on a going concern basis.

INDUSTRIAL RELATIONS

The Board of Directors wish to place on record their appreciation of the active, dedicated and valuable contribution of the Company's employees at all levels in achieving the results in the operations of the Company during the year. The Industrial relations continued to be cordial during the year.

ACKNOWLEDGEMENT

The Directors wish to place on record their gratitude for the valuable cooperation and assistance extended by Banks/Financial Institutions viz. ICICI Bank Ltd., UTI Bank Ltd., Oriental Bank of Commerce, State Bank of India, State Bank of Indore and Life Insurance Corporation of India, and Central and State Govts. and other Government authorities.

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FOR AND ON BEHALF OF THE BOARD

S.N. Dua
Director

D. Kohli
Executive Director

Place : Gurgaon
Date : 01-08-2006

ENGLISH INDIAN CLAYS LIMITED

ENERGY CONSERVATION STATEMENT
STARCH UNIT (YAMUNANAGAR & PONDICHERRY)
FORM-A

Power & Fuel Consumption	Current year ended 1/4/2005 to 31/3/2006	Previous year ended 1/4/2004 to 31/3/2005
1. ELECTRICITY		
(a) Purchased Units	12075830	11481710
Total amount (Rs.)	46770474	45032323
Rate/Unit (Rs.)	3.87	3.92
(b) Own Generation		
Through Diesel Generator Units	1607675	1703294
Units Per Ltr. of D/Oil	3.59	3.67
Cost/Unit (Rs.)	7.58	7.43
2. COAL		
- Quantity (MT)	1242.87	1606.78
- Total cost (Rs.)	7095028	4740342
- Average Rate/MT(Rs.)	5708.57	2950
3. FURNACE OIL		
- Quantity (K. Ltr.)	1115.00	1060.10
- Total cost (Rs.)	18591586	12672785
- Average Rate/K. Ltr. (Rs.)	16674.06	11954.32
4. OTHERS/INTERNAL GENERATION		
(a) Steam Qty. (MT)	57419	55155
Total cost (Rice Husk Bagasse) (Rs.)	30142572	25451452
Average Rate/MT (Rs.)	524.96	461.45
Other/Internal generation		
(b) Steam Qty. (from F. Oil)	-	-
Total cost (from F. Oil)	-	-
Average Rate (Rs.)	-	-
(c) Consumption per unit of production		
Electricity (Units/MT)	201.50	209.10
Steam (MT/MT)	1.52	1.71
Furnace Oil (Ltr./MT of Gluten)	117.00	134.92

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FORM - B

1. Specific Areas in which R & D Carried out by the Company.**Clay Division**

- (a) Introduced calcined clay in new areas of applications.
- (b) Provided technical support to upgrade the residue generated in the process.
- (c) To develop value added clays.

Starch Division

- (a) Development of new cold water soluble adhesive formulations.
- (b) Technical support to plant for optimization of processing parameters for oxidized starch processing.
- (c) Development of new process for amphoteric starch and its application related study.
- (d) New process for sweeteners manufacturing for food & pharma applications.

2. Benefits derived as a result of the above Research & Development :-**Clay Division**

- (a) Expanded the market of high-end calcined clay.
- (b) Consumed white matrix and achieved cost saving.

Starch Division

- (a) Developed & introduced new processing parameters for sweeteners manufacturing.
- (b) Developed successfully cold water processable formulation.

3. Future Plan of Action :-**Clay Division**

- (a) Commercialization of supergloss, delaminated clay and GNPL special.
- (b) Development of engineered clay, surface modified clay and clay based catalyst.

Starch Division

- (a) Development of cost effective new process for oxidized starch manufacturing for surface sizing application of paper.
- (b) Commercialization of new amphoteric starch in paper wet-end application.

4. Expenditure on R & D :-

	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
a) Capital	18,86,800	9,67,358
b) Recurring	79,25,264	63,99,777
c) Total	98,12,064	73,67,135
d) Total R&D Expenditure as a percentage of total turnover	0.47%	0.43%

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

The Company's philosophy on Corporate Governance is to promote and raise the standard of system and practices of corporate conduct to attain high levels accountability. The Company believes in adopting transparency and responsibility in its operation and enhancement of overall long term value of its shareholders, customers, lenders and employees. During the year under review your Company has followed all mandatory requirements provided under Clause 49 of the Listing Agreement with the Stock Exchange.

2. BOARD OF DIRECTORS

2.1 Composition of Board of Directors

The Board of Directors comprises of a Non-Executive Chairman, an Executive Director and seven Non-Executive Directors including one Nominee Director. The composition of the Board, attendance of the Directors at the Meetings and also other directorships/ memberships of the Committees, are as follows :

Name of the Directors	Category of Directors	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee Memberships #	
					As a Member	As a Chairman
Mr. Karan Thapar	Chairman (Non-Executive Promoter)	4	No	10	6	-
Mr. B.M. Thapar	Non-Executive Promoter	2	No	11	2	-
Mr. S.N. Dua	Non-Executive Independent	4	No	7	4	2
Mr. S. K. Toshniwal	Non-Executive Independent	4	Yes	4	1	1
Mr. M. L. Khemka	Non-Executive Independent	4	No	9	-	-
Mr. S. Padmakumar	Non-Executive Independent	2	Yes	7	3	8
Mr. Vijay Rai	Non-Executive Independent	3	No	5	6	-
Dr. A. K. Bhattacharya	Non-Executive Independent Nominee of ICICI	4	Yes	3	1	-
Mr. D.Kohli	Executive Director	4	No	5	2	-

includes membership of all committees constituted by the Board of Directors of the Company.