



*Annual Report*  
2008-09

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English Indian Clays Ltd



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# **DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009**

To,  
The Members:

Your Directors are pleased to present the Annual Report with audited statement of accounts for the year ended 31st March, 2009.

(Rs. in Crores)

	31st March 2009	31st March 2008
Gross operating Profit (before interest and depreciation)	53.22	51.50
<b>Less : Interest</b>	13.94	11.71
Gross Profit before Depreciation	39.28	39.79
<b>Less : Depreciation</b>	10.26	8.96
Profit for the year	29.02	30.83
From which is deducted :		
- Provision for Taxation		
Current Tax	5.28	10.53
Fringe Benefit tax	0.25	0.24
Short (Excess) Provision adjusted	0.36	0.32
Deferred Tax	4.12	0.35
Profit after Tax	19.01	19.39
To which is added :		
- Balance brought forward from the previous year	17.37	7.33
Leaving a balance of	36.38	26.72
Which your Directors recommend to be appropriated		
As under :		
Interim Dividend Paid		
- @ Rs.10/- per Preference Share on 10% Preference Shares of Rs.100/- each (last year Rs.5/-)	0.83	0.50
- Rs.5.50 per Preference Share on 11% Preference Shares of Rs.100/- each (last year Rs.5.50)	1.10	1.10
Proposed Dividend		
- @ Rs. Nil on 10% Preference Shares of Rs.100/- each (since redeemed)	--	0.50
- @ Rs.5.50 on 11% Preference Shares of Rs.100/- each	1.10	1.10
- @ Rs.5/- on Equity Share of Rs.10/- each (previous year Rs.7/- per Share)	2.23	3.13
Tax on Dividend	0.89	1.08
Transfer to General Reserve	1.90	1.94
Transfer to capital redemption reserve	10.00	--
Carried forward to next year's account	18.33	17.37



## DIVIDEND

During the year, your Directors had paid a dividend @ Rs.10/- per share on 10% Cumulative Redeemable Preference Shares of Rs.100/- each upto 31.01.2009 (being the date of redemption) amounting to Rs. 83,33,333/-. The Directors had also declared and paid an interim dividend @ Rs.5.50 per share on 11% Cumulative Redeemable Preference Shares of Rs.100/- each amounting to Rs.1,10,00,000/-.

Your Directors are pleased to recommend a dividend @ Rs.5/- per share on the Equity Shares of Rs.10/- each on a Share capital of Rs.4,46,89,790/- amounting to Rs. 2,23,44,895/- and @ Rs.5.50 per share on 11% Cumulative Redeemable Preference Shares of Rs.100/- each on a Preference Share Capital of Rs. 20,00,00,000/- amounting to Rs.1,10,00,000/-. The total outgo on account of Preference and Equity Dividend including dividend tax of Rs. 89,52,665/- will be Rs. 6,16,30,893/-.

## CAPITAL

During the year under review, the Company redeemed 10,00,000 10% Cumulative Redeemable Preference Shares of Rs.100/- each amounting to Rs. 10 Crores on 03-02-2009 issued to M/s Marble Arch Investments PCC Ltd., Mauritius and the existing Issued, Subscribed and Paid up Capital is Rs.24,46,89,790/- consisting of Preference Share Capital of Rs.20,00,00,000/- and Equity Share Capital of Rs.4,46,89,790/-.

## ISSUE OF PREFERENCE SHARES

To meet the initial capital expenditure of the upcoming Shimoga Project, it is proposed to issue 10,00,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10,00,00,000/- to M/s Karun Carpets Pvt. Ltd. one of the promoters of the Company on preferential basis by way of private placement.

The resolution to this effect is proposed in the notice of Annual General meeting for the approval of the members.

## OPERATIONS

The year under review witnessed the commencement of a global economic recession and melt down of the financial markets. The year started with a positive growth in both the business segments of the Company; however, the slow down and the consequent unfavourable market conditions affected the later part of the financial year of the Company. The sales turnover was restricted to Rs.290.07 Crores as against Rs.277.86 Crores in the previous year showing a marginal growth of 4.4%. The operating profit (EBIDTA) of the Company marginally increased to Rs.53.22 Crores, (including a profit of 5.80 crores from sale of land), as compared to Rs.51.50 Crores in the previous year. The net profit after tax, however, is lower at Rs.19.01 Crores as compared to Rs.19.39 Crores in the previous year on account of increased borrowing cost and higher amount of depreciation. A detailed review of the operations and performance of the clay and starch businesses is contained in the Management Discussion & Analysis Report which is appended to the Directors' Report and forms part of it.



## **EXPORTS**

The global economic recession also affected the Company's export. However, the value of exports has increased to Rs.30 Crores as compared to Rs.23 Crores in the previous year, an increase of 30%. In terms of volume, exports increased to 16555 MT from 13201 MT registering an increase of about 25%.

## **NEW PLANTS**

### **Starch Plant**

The economic slow down and continued recession in the textile industry has forced your Company to go slow on the 500 TPD speciality starch project at Shimoga in Karnataka. The Company has taken possession of 76 acres of land at Shimoga and land development activity is in progress. The Company has so far incurred an expenditure of about Rs.11 Crores on the project.

### **Co-gen Plant**

The Company has successfully installed and commissioned a 2 MW Co-gen plant at its Yamunanagar unit which started functioning in August, 2008. This plant will ensure the unit a continuous supply of power and steam. The full benefit of cost saving would start accruing from the financial year 2009-10.

### **Clay Plant**

Your Company has successfully commissioned a second Calciner at its Thonnakkal facility in Thiruvananthapuram and started commercial production in February, 2009. This has resulted an increase in the installed capacity from 28000 TPA to 55000 TPA.

## **RIGHTS ISSUE**

During the year under review, the Company had made plans and taken effective steps to come out with an equity issue of 744830 Equity Shares of Rs.10/- each at Rs.1000/- per Equity Share at a premium of Rs.990/- per share aggregating to Rs.74.48 Crores. However, the collapse of Equity markets coincidental with the demand recession, has forced your Company to temporarily defer the proposed issue. The Company will come out with the issue of shares at an appropriate time as market conditions improve.

## **RESEARCH & DEVELOPMENT ACTIVITIES**

The continued efforts on the R&D front has resulted in new product development, application support to the customer, as well as improvement in the manufacturing process.

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, 2009 fixed deposit amounting to Rs. 9.13 lacs which became due for repayment had remained unclaimed by 37 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.

The company has recorded export earnings of Rs. 10.41 Crores and remittance of foreign currency equivalent to Rs. 7.52 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No. 3 to 5 of Schedule 23(B).

## **DIRECTORS**

Shri Karan Thapar and Shri S.N. Dua, Directors being longest in the Office, are liable to retire by rotation and are eligible for reappointment. Their appointments are recommended for your approval. The Profile of Shri Karan Thapar and Shri S.N. Dua seeking reappointment, forms part of the Corporate Governance Report.

Shri Rahul Gupta was appointed as an Additional Director of the Company w.e.f. 02-03-2009 and designated as an Executive Director for a period of 5 years. As a Director he will hold office upto the date of ensuing Annual General Meeting of the Company. A notice U/s 257 of the Companies Act, 1956, proposing his candidature as a Director of your Company, has been received. His appointment as a Director and as an Executive Director is recommended for your approval. The Profile of Shri Rahul Gupta seeking appointment, forms part of the Corporate Governance Report.

The appointment of Shri J.K. Jain as a nominee Director of ICICI Bank Ltd. was withdrawn by ICICI Bank Ltd. w.e.f. 31-03-2009. However, in view of invaluable guidance provided by Shri J.K. Jain during his tenure as ICICI Nominee, Shri J.K. Jain was appointed as an Additional Director of the Company w.e.f. 14-04-2009 and he will hold office upto the date of ensuing Annual General Meeting of the Company. A notice U/s 257 of the Companies Act, 1956, proposing his candidature as a Director of your Company, has been received. His appointment as a Director is recommended for your approval. The Profile of Shri J.K. Jain seeking appointment, forms part of the Corporate Governance Report.

Shri S. Padmakumar ceased to be a Director w.e.f. 19-02-2009 in terms of the retirement policy of the Directors of the Company. Shri S. Padmakumar had been on the Board of the Company since



15-12-1993. The Board places on record its appreciation for the invaluable service rendered by Shri S. Padmakumar 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 79.91% of the Company's Equity Capital. The Members may note that B.M. Thapar Group, inter alia, comprise of the following Companies (1) Greaves Cotton Ltd., (2) Premium Energy Transmission Ltd., (3) Pembril Industrial & Engineering Company Pvt. Ltd., (4) DBH International Pvt. Ltd. (5) Karun Carpets Pvt. Ltd., (6) Greaves Leasing Finance Ltd., (7) Bharat Projects Pvt. Ltd., (8) Dee Greaves Ltd., (9) KCT Chemicals & Electricals Ltd., (10) Standard Refinery & Distillery Ltd., (11) Bharat Starch Products Ltd., (12) DBH Global Holdings Ltd., (13) DBH Investments Pvt. Ltd., (14) Greaves Farymann Diesel GmbH (15) DBH Consulting Ltd. and (16) Greaves Cotton Netherlands B.V.

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

Name of the employees as covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended upto date are attached herewith and form part of Directors' Report, as Annexure 'A'.

### **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 31-03-2009 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 and fair view of the state of affairs of the company for the year ended 31st March, 2009 and of the profit of the year ended 31.03.2009.
- 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.

## **CORPORATE SOCIAL RESPONSIBILITY**

Your Company in its avowed commitment towards environment protection and social responsibility, continues to provide free water under its rain water harvesting scheme to the neighbouring villages around the Thonnakkal Mines through pipelines and water tankers. The Company also regularly conducts medical camps for the villagers.

## **HUMAN RESOURCES**

Your Company has successfully aligned human capital with business and organizational objectives. The emphasis has been on team work, skill development and management labour relations.

## **INDUSTRIAL RELATIONS**

The Board of Directors place on record their sincere 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 place on record their appreciation for the valuable cooperation and assistance extended by Banks/Financial Institutions viz. Axis Bank Ltd., Oriental Bank of Commerce, State Bank of India, State Bank of Indore and Life Insurance Corporation of India, and Central and State Governments and other Government authorities.

The Directors are also thankful to the stakeholders for their continued support to the Company.

**FOR AND ON BEHALF OF THE BOARD**

**Sd/-  
(KARAN THAPAR)  
Chairman**

Place : Gurgaon  
Date : 20.05.2009





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

Power & Fuel Consumption	Current year ended 1/4/2008 to 31/3/2009	Previous year ended 1/4/2007 to 31/3/2008
<b>1. ELECTRICITY</b>		
(a) Purchased Units	13556320	12292110
Total amount (Rs.)	57509368	49872127
Rate/Unit (Rs.)	4.24	4.06
(b) Own Generation		
Through Diesel Generator Units	3434688	3305585
Units Per Ltr. Of D/Oil	3.16	3.58
Cost/Unit (Rs.)	10.51	8.75
<b>2. COAL</b>		
- Quantity (MT)	4531.809	3853.886
- Total cost (Rs.)	22102275	17914002
- Average Rate/MT (Rs.)	4877.14	4648.30
<b>3. FURNACE OIL</b>		
- Quantity (K. Ltr.)	494.88	836.743
- Total cost (Rs.)	14103769	17609720
- Average Rate/K. Ltr.(Rs.)	28499.37	21045.55
<b>4. OTHERS/INTERNAL GENERATION</b>		
(a) Steam Qty. (MT)	41328	46500
Total cost (Rice Husk Bagasse) (Rs.)	38483801	35864286
Average Rate/MT (Rs.)	931.18	771.27
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)	250.50	219.05
Steam (MT/MT)	1.46	1.55
Furnace Oil (Ltr./MT of Gluten)	61.93	59.50



## FORM - B

### 1. Specific Areas in which R & D Carried out by the Company.

#### **Clay Division**

- a) Commercialization of Himacab and Superlustre.
- b) Introduction of new chemical Wetting agent to reduce the viscosity of Supergloss.
- c) Development of new products Catalin-80 and Himashine.

#### **Starch Division**

- a) Development and commercialization of formulation based on high degree of substitution cationic starch for wet-end additive.
- b) Development and commercialization of adhesive for packaging industries in Honey Comb panel application.
- c) Process review of coating starches for paper and board application.

### 2. Benefits derived as a result of the above Research & Development :-

#### **Clay Division**

- a) Developed additional market with higher contribution.
- b) Substituted largely imported ultra fine grade coating clay.
- c) Entered into new areas of application.

#### **Starch Division**

- a) Developed new product range for High Speed paper machine.
- b) Introduction of new variant in packaging industries.
- c) Continued efforts to improve the product quality.

### 3. Future Plan of Action :-

#### **Clay Division**

- a) Commercialization of Catalin-80 and Himashine.
- b) Identifying alternative process route for increasing the recovery of Supergloss.
- c) Developing coated clays, Nano clays and zeolite for new application.

#### **Starch Division**

- a) Development of new surface sizing starch for writing printing application.
- b) Process review of cationic based wet-end starch for quality improvement.
- c) Development of starch based emulsifier for ASA sizing.

### 4. Expenditure on R & D :-

	31st March, 2009 (Rs.)	31st March, 2008 (Rs.)
a) Capital	56,75,998	34,39,548
b) Recurring	1,10,42,624	1,02,87,756
c) Total	<b>1,67,18,622</b>	<b>1,37,27,304</b>
d) Total R&D Expenditure as a percentage of total turnover	0.58%	0.49%