

Annual Report 1998-99

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English Indian Clays Ltd.



English Indian Clays Limited

CHAIRMAN-CUM
MANAGING DIRECTOR

:

MR. KARAN THAPAR

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)

AUDITORS

:

M/s. PRICE WATERHOUSE
CHARTERED ACCOUNTANTS
MADRAS

BANKERS

:

ORIENTAL BANK OF COMMERCE
STANDARD CHARTERED BANK

REGISTERED OFFICE

:

KPIII/428, VELI,
THIRUVANANTHAPURAM - 695 021

CORPORATE OFFICE

:

N-75, CONNAUGHT CIRCUS,
NEW DELHI -110 001.

NAME OF STOCK EXCHANGES WHERE THE SHARES OF THE COMPANY ARE LISTED
COCHIN, DELHI, BOMBAY AND MADRAS
LISTING FEES FOR THE YEAR 1999-2000 PAID TO ALL THE ABOVE STOCK EXCHANGES

ENGLISH INDIAN CLAYS LIMITED**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31st MARCH, 1999

To

The Members:

Your Directors are pleased to present the Annual Report and audited statement of accounts for the year ended 31st March, 1999.

		(Rs. in Crores)	
FINANCIAL RESULTS		31st March, 1999 (12 months)	31st March, 1998 (9 months)
Gross operating Profit earned for the year (before interest and depreciation)			
	<u>31-03-99</u>	<u>31-03-98</u>	
	13.32	8.72	
Less : Interest	<u>5.72</u>	<u>3.92</u>	7.60
			4.80
Less : Depreciation			2.13
			1.80
Net Profit			5.47
			3.00
To which is added:			
Balance brought forward from the previous year		0.27	0.15
From which is deducted:			
Provision for Taxation (Including Rs.2.08 Crores relating to earlier years)		3.61	1.00
Leaving a balance of		2.13	2.15
Which your Directors recommend to be appropriated as under :			
Dividend at 25%		0.96	0.96
Tax on Dividend		0.11	0.10
Transfer to General Reserve		0.19	0.25
Debenture Redemption Reserve		0.57	0.57
Carried forward to next year's account		0.30	0.27

ACCOUNTING YEAR

The financial year 1998-99 of the company ended on 31st March, 1999 consists of 12 months, as compared to the financial year 1997-98 of the Company which was closed on 31st March, 1998 consisting of 9 months. Hence the previous period figures are not strictly comparable with the current year's figure.

DIVIDEND

Your Directors are pleased to recommend the dividend @ 25% on the Equity Share capital of Rs.3,82,09,000/- amounting to Rs.95,52,250.

ENGLISH INDIAN CLAYS LIMITED**OPERATIONS****(a) Clay (Kaolin) processing :**

The sluggish market conditions reflected in the slow down of the Indian economy during the year under review had its impact on the volume growth in the sales of the company. However, the sales in absolute term increased by 6.75% from the previous period on a comparable basis. During the year production stood at 80043 MT and sales at 78219 MT. Continued thrust on cost reduction and new product development has resulted in improved profitability during the year under review. We expect this trend to continue in the current financial year.

(b) Leasing

During the year, the Company did not enter into any fresh lease arrangement. The company is vigorously following the recovery of lease rental dues. In view of the uncertainties involved with regard to collection of lease rentals, the lease income has been accounted on receipt basis to reflect the true and fair state of affairs of the company.

(c) Export

On the export front, your company achieved a turnover of Rs.259.01 lacs during the current year as against Rs. 96.33 lacs in the previous period reflecting an increase of over 100%.

INVESTMENT DIVISION

During the year company transferred its investment division on a going concern basis to its 100% subsidiary M/s Bharat Projects Ltd. at its book value alongwith liabilities pertaining to that division w.e.f. 31st March, 1999. Bharat Projects Ltd. has allotted 1,35,24,862 Equity Shares of Rs.10/- each at par on 6th July, 1999 in full and final settlement of the consideration. Consequently the investment account of the company should stand at Rs.28,34,50,070/-.

Y2K COMPLIANCE

The Company is in the process of achieving Y2K compliance and will be fully compliant for all its internal operations by September, 1999. The company has set up a task force to implement the Y2K Compliance. The cost to be incurred by the company towards this has no significant impact on the company's financial position and the company has a comprehensive plan to meet possible contingencies.

SUBSIDIARY

As required under Section 212 of the Companies Act, 1956, the statement and accounts of the subsidiary Company-Bharat Projects Ltd. are attached herewith.

RESEARCH & DEVELOPMENT

The Company continues to lay emphasis on Research and Development activities carried on by the Company which have resulted in the development of new value added products for different applications particularly for paper and paint industry.

The company's calcined clay product range now covers all International grades.

FIXED DEPOSITS

There is no unclaimed/overdue fixed deposits as at 31-03-1999.

ENGLISH INDIAN CLAYS LIMITED**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 is not applicable to the Company and detail of Technology absorption is given in Form B in Annexure 1 of this report.

The Company has made the export earnings of Rs.259 lacs and remittance of foreign currency equivalent to Rs.32.55 lacs towards various purpose details of which have been incorporated in the Notes to Accounts No.17, 13 and 18 of Schedule 23.

DIRECTORS

Mr. B.M. Thapar and Mr. M.L. Khemka, Directors of the Company being longest in the office, retire by rotation and being eligible offers themselves for reappointment. Their appointments are recommended for your approval.

During the year ICICI Ltd. had nominated Dr. A.K. Bhattacharya in place of Mr. R.K. Batra w.e.f. 8th April, 1999 on the Board of the Company. The Board record its appreciation for the valuable guidance provided by Mr. R.K. Batra during his tenure on the Board of the Company.

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

Statement of employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended upto date is annexed to this report and forms part of this report.

AUDITORS

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

The Auditors' comments in para 2 of their report read with note Nos. 2.1 to 2.3 with reference to notes 6,7 & 8(b) of Schedule 23 to the Balance Sheet are considered to be self-explanatory and do not call for any further comments.

INDUSTRIAL RELATIONS

The Board of Directors of the Company wish to place on record their appreciation for all employees of the company for their sustained efforts and valuable contribution to the growth and performance of the Company during the year. The Industrial relations remained cordial throughout the year.

ACKNOWLEDGEMENT

The Directors acknowledge the cooperation and assistance extended by Financial Institutions particularly from Industrial Credit & Investment Corporation of India, (ICICI) Company's Bankers Oriental Bank of Commerce, Standard Chartered Bank, Central and State Govts. and other Government authorities.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 2nd August, 1999

KARAN THAPAR
Chairman-cum-Managing Director

ENGLISH INDIAN CLAYS LIMITED**FORM - B****1. Specific Areas in which R & D Carried out by the Company.**

- (a) Developmental work related to super fine high bright calcined clay 'HIMAFINE' and its application studies.
- (b) Benchmarking of EICL grades with International grades of Calcined Clay for various applications and interaction with International Paint Consultant on calcined clay in paints.
- (c) Bench scale production of surface modified calcined clays and establishing their customer acceptance.
- (d) Further improvements in the quality and application properties of Higloss.
- (e) Replacement of imported organic dispersing agents with indigenous products in the process.
- (f) Ozone bleaching and calcination of grey matrix from certain areas of Sasthavattom for future utilisation in the process to improve productivity.
- (g) Screening of organic flocculants for the thickening of dilute clay slurries in the process to improve productivity.

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

- (a) EICL Calcined Clay product range now covers all international grades.
- (b) Export of Calcined Clays and hydrous clays.
- (c) Feasibility of preparing Surface Modified Calcined Clays 'VISFIL' in cables established.
- (d) Indigenous organic dispersing agents for predispersion.
- (e) Established Ozone Bleachability and calcination potential of several low grade grey matrices.

3. Future Plan of Action :-

- (a) Interaction with Regional Research Laboratory (CSIR), Trivandrum regarding the progress of the EICL sponsored project on "Value added products by thermal and chemical processing of china clay"
- (b) Application studies to expand the usage of Clacined Clays and Higloss in paper industries.
- (c) New Paint formulations using Himacot and Himafil as extenders.
- (d) Screening of organic flocculants to establish their suitability for clay thickening in the process.
- (e) Pilot plant for Calcined Clay, Himafine.

4. Expenditure on R & D :-

	31st March,1999	31st March, 1998
	(Rs.)	(Rs.)
a) Capital	2,45,105	19,30,854
b) Recurring	35,04,588	23,76,921
c) Total	37,49,693	43,07,775
d) Total R&D Expenditure as a percentage of total turnover	0.97%	1.59%

5. Particulars with respect to Technology Absorptions, Adaptation and innovation are not applicable.

PARTICULARS OF EMPLOYEES REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED UPTO DATE AND FORMING PART OF DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

Sl. No.	Name	Designation/ Nature of Duties	Remuneration Received/ Receivable (Rs.)	Qualifi- cation	Experi- ence (Years)	Date of commence- ment of Employment	Age (Years)	Last Employment held before joining the Company
1	2	3	4	5	6	7	8	9
1.	Mr. D.Kohli	Chief Operating Officer	7,23,227	B.A.	26	1-4-93	53	DBH INTERNATIONAL LTD.

Notes : 1. REMUNERATION INCLUDES SALARY AND ALLOWANCES, CONTRIBUTION TO PROVIDENT AND SUPERANNUATION FUND AND WHERE APPLICABLE GRATUITY, PENSION, MEDICAL BENEFITS, PERSONAL ACCIDENT INSURANCE, HOUSE RENT ALLOWANCE, LEAVE TRAVEL CONCESSION, CAR ALLOWANCE, WATER AND ELECTRICITY CHARGES , CLUB SUBSCRIPTION AND TAXABLE VALUE OF PERQUISITES.

2. SHRI D.KOHLI IS NOT RELATED TO ANY DIRECTOR OF THE COMPANY.

AUDITORS' REPORT**TO THE MEMBERS OF ENGLISH INDIAN CLAYS LIMITED**

1. We report that we have audited the Balance Sheet of English Indian Clays Limited as at March 31, 1999, and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
2. Attention is drawn to the following :
 - 2.1 Note 6 on Schedule 23 regarding non amortisation of lease equalisation charge amounting to Rs.1,03,48,114.
 - 2.2 Note 7 on Schedule 23 regarding non provision of income tax amounting to Rs.80 lakhs approximately.
 - 2.3 Note 8(b) on Schedule 23 regarding non provision for diminution in the value of investments in subsidiary as indicated therein.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956, and subject to the matters stated in paragraphs 2.1 to 2.3 above with consequential effect on the profit for the year and net assets also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 1999 and of its profit for the year ended on that date.
4. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the abovementioned accounts are in agreement therewith. Subject as aforesaid, in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
5. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
 - ii. Land and Buildings alongwith certain Plant and Machinery have been revalued during the year on the basis referred to in Note 1 on Schedule 5.
 - iii. The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management during the year.
 - iv. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - v. The discrepancies between the physical stocks and book stocks, which have been properly dealt with, were not material.
 - vi. In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

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- vii. The Company has not taken any loans, during the year, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and / or from companies under the same management as defined under Sub-Section (1-B) of Section 370 of the Companies Act, 1956.
- viii. The Company has not granted any loans, during the year, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and / or to companies under the same management as defined under Sub-Section (1-B) of Section 370 of the Companies Act, 1956.
- ix. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts where stipulated and are also regular in payment of interest, where applicable.
- x. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials, plant and machinery, equipment and similar assets and for the sale of goods.
- xi. In our opinion, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in value in respect of each party have been made at the prices which are reasonable having regard to the prices at which the transactions for similar goods or services have been made with other parties.
- xii. The Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- xiii. In the case of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provisions of Section 58-A of the Companies Act, 1956 and the rules framed thereunder, where applicable, have been complied with.
- xiv. As the value of the realisable by-products and scraps generated during the year is not considered to be significant, no detailed quantitative records have been maintained therefor. Proper records have, however, been maintained in respect of sales and disposal of such stocks.
- xv. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- xvi. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1) (d) of the Companies Act, 1956 for any of its products.
- xvii. The Company has regularly deposited, during the year, the Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- xviii. At the last day of the financial year there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- xix. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx. The company is not a sick industrial company within the meaning of the clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985.

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- xxi. The Company has maintained proper records of the transactions and contracts relating to dealing or trading in shares, securities and other investments and timely entries have been made therein. The shares, securities and other investments have been held by the Company in its own name.

S.DATTA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

August 2, 1999

