

English Indian Clays Limited



ANNUAL REPORT 2002-03



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)
MR. VIJAY RAI

AUDITORS

: M/s. PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

BANKERS

: ORIENTAL BANK OF COMMERCE
UTI BANK
STATE BANK OF INDIA

REGISTERED OFFICE

: KPIII/428, VELI,
THIRUVANANTHAPURAM - 695 021
KERALA

HEAD OFFICE

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

WORKS

: THIRUVANANTHAPURAM (KERALA)
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 2002-2003 PAID TO ALL THE ABOVE STOCK EXCHANGES

English Indian Clays Limited

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CONTENTS

	Page No.
1. Director's Report	3-9
2. Corporate Governance	10-19
3. Management Discussion & Analysis Report	20-22
4. Auditor's Report	23-25
5. Accounts	26-54
6. Cash Flow Statement	55-56
7. Abstracts of Balance sheet	57
8. Subsidiary Co. Accounts	58-71
9. Consolidated Accounts	72-102



English Indian Clays Limited

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

NOTICE

The Thirty Ninth 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 Friday, 4th July, 2003 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, 2003, 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 S.N. Dua, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S.K. Toshniwal, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint the Auditors and to fix their remuneration :-

M/s Price Waterhouse, Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment.

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 pursuant to the provisions of sections 198, 269 & 309 read with Schedule XIII of the Companies Act, 1956 and subject to such approvals and/or permissions as may be necessary, consent of the Company be and is hereby given to the reappointment of Shri Karan Thapar as the Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2003 on the terms & conditions mentioned hereunder. The remuneration payable to Shri Karan Thapar shall be subject to overall ceiling of 5% of net profit of the Company as calculated under sections 349 and 350 read with section 198 of the Companies Act, 1956 :

1. **Salary** : Rs.3,50,000/- p.m. (Rs. Three Lacs Fifty Thousand only) (inclusive dearness and all other allowances)
2. **Perquisites** : Perquisites and allowances in the form of Housing, Furnishing, Gas, Electricity, Water, Medical Reimbursement, Leave Travel Concession, Club Fees, Personal Accident Insurance and in any other form not exceeding Rs.21,00,000/- (Twenty One Lacs only) per annum.
3. **Commission** : The commission at such rate on net profit calculated U/S 349 & 350 read with section 198 of the Companies Act, 1956, as not to exceed the total remuneration, the overall ceiling of 5% on net profit calculated U/S 349 & 350 of the Companies Act, 1956.

"RESOLVED further that notwithstanding the aforesaid ceiling of 5%, in case of absence or inadequacy of profit in any financial year during the tenure of the Managing Director Shri Karan Thapar, the salary & perquisites drawn by Shri Karan Thapar shall be considered the minimum remuneration subject to the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956".

"RESOLVED FURTHER that Shri Karan Thapar, Managing Director shall be responsible to look after the day to day affairs of the Company including such other function as may be delegated by the Board of Directors from time to time subject, however, to overall control and supervision of the Board of Directors of the Company".

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 on 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.20 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 Company do hereby confirm and ratify all the actions, taken and documents executed in connection with the availment of said loan".

"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".

8. 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 on all immovable properties of the Company situated at Veli, Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry in favour of State Bank of India 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.20 Crores.
- b) All interests, compound/additional interest, commitment charges, costs, charges, expenses, and all other monies payable by the Company to State Bank of India.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to finalise with State Bank of India, 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 Company do hereby confirm and ratify all the actions, taken and documents executed in connection with the availment of said loan".

"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".

9. To consider, and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESERVED THAT the consent of the Company be and is hereby given to delist the Equity Shares of the Company from the Stock Exchanges of Cochin, Madras and Delhi and the Shares of the Company shall continue to be listed on Mumbai Stock Exchange".

"THAT the Board of Directors of the Company be and is hereby authorised to take all steps and do all such acts, things, matters as may be considered necessary to get the shares delisted from the Stock Exchanges of Cochin, Madras and Delhi".

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 ATLEAST 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 1st JULY, 2003 TO 4th JULY, 2003 (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 4th JULY, 2003, 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 4th JULY, 2003, 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 DEMATERIALISED 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, 1995 HAVE BEEN TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND OF THE GOVT.

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

Place : Gurgaon
Date : 27th May, 2003

P.S. SAINI
COMPANY SECRETARY

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

ITEM NO. 6

The Directors in their meeting held on 7th February, 2003 has re-appointed Shri Karan Thapar as the Managing Director of the Company for a period of five years w.e.f. 1st April, 2003 to 31st March, 2008 u/s 198, 269 and 309 read with Schedule XIII of the Companies Act, 1956 subject to the approval of the shareholders, at a remuneration fixed at 5% of the Net Profit of the Company calculated U/s 349 & 350 of the Companies Act, 1956.

The dedicated and able leadership of Shri Karan Thapar as Managing Director has resulted in consistently improving and maintaining the performance of the Company. Shri Karan Thapar, a Chartered Accountant belongs to the Promoter family joined on the Board of the Company in the year 1990. Shri Karan Thapar has diverse and extensive experience in different industries, and is also on the board of several public limited companies. Considering the overall growth of the Company and the projects undertaken as well as the invaluable contribution of Shri Karan Thapar, it is proposed to reappoint Shri Karan Thapar as Managing Director of the Company for a further period of 5 years w.e.f. 1st April, 2003 to 31st March, 2008 at a remuneration fixed at 5% of the Net Profit of the Company calculated U/s 349 & 350 of the Companies Act, 1956 as enumerated in the proposed resolution. Shareholders approval is required U/s 269 of the Companies Act, 1956 for the appointment of the Managing Director.

Hence, the resolution is recommended for your approval.

Except Shri Karan Thapar and Shri B.M. Thapar, none of the Directors of the Company is in any way concerned or interested in the resolution.

ITEM NO.7

The Company had been sanctioned a term loan facility of Rs. 20 Crores from UTI Bank Ltd. to meet the normal capital expenditure, calcined clay project, hydrous clay project and general corporate purposes. This term loan facility would be secured by creation of equitable mortgage on all immovable properties of the Company situated at Veli, Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry and hypothecation, 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 in any way concerned or interested in the resolution.

ITEM NO.8

The Company had been sanctioned a term loan facility of Rs. 20 Crores from State Bank of India (SBI) to meet the normal capital expenditure, calcined clay project, hydrous clay project 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,

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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 Annual General Meeting of the Company to be held on Friday the 4th July, 2003 at 11.30 a.m. at the Registered Office of the Company at K.P.-III/428, Veli, Thiruvananthapuram-695021, Kerala and at any adjournment thereof.

As witness my/our hand/s this day of
Signed by the said 2003 In the presence of
.....

Affix Re.1/-
Reveu
Stamp

Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry and hypothecation 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 in any way concerned or interested in the resolution.

ITEM NO.9

The equity shares of the company are listed on the Stock Exchanges of Cochin, Madras, Delhi and Mumbai. In terms of the guidelines issued by SEBI and the notification issued by the Ministry of Finance dated 24-04-2003, it is not mandatory to keep the shares listed on Regional Stock Exchange and the Company can go for voluntary delisting of Securities from all or any of the Stock Exchanges provided the securities of the Company have been listed for a minimum period of 3 years and to provide an exit opportunity in case of voluntary delisting from all Stock Exchanges. The shares of the Company are only traded on Mumbai Stock Exchange which is having Nation Wide Trading Terminal. It is proposed to delist the shares from other Stock Exchanges namely Delhi, Madras and Cochin in view of the following;

- i. The floating stock of Equity Shares of the Company is less than 10% of its total listed shares;
- ii. The Company's shares are listed under compulsory DEMAT form, hence trading would be no problem with the extensive net working of Mumbai Stock Exchange to other cities and;
- iii. To minimize the administrative cost.
- iv. The small base of shareholders.
- v. No transaction of the shares on all the Stock Exchanges except Mumbai.

To delist the Equity Shares from the Cochin, Madras & Delhi Stock Exchanges, the company is required to obtain prior approval of the shareholders of the Company by a special resolution passed in the General Meeting.

Hence, the resolution is recommended for your approval.

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

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

Place : Gurgaon
Date : 27th May, 2003

**P.S. SAINI
COMPANY SECRETARY**



English Indian Clays Limited

DIRECTORS' REPORT**FOR THE YEAR ENDED 31ST MARCH, 2003**

To

The Members:

Your Directors are pleased to present the Annual Report with audited accounts for the year ended 31st March, 2003.

(Rs. in Crores)

FINANCIAL RESULTS	31st March 2003	31st March 2002
Gross operating Profit earned for the year (before interest and depreciation)	25.76	23.89
Less : Interest	8.83	8.16
Gross Profit before Depreciation	16.93	15.73
Less : Depreciation	4.80	4.47
Net Profit	12.13	11.26
To which is added:		
Balance brought forward from the previous year	4.66	3.45
Debenture redemption reserve transferred	1.25	-
Less :		
- Exceptional Items	1.80	(1.10)
- Prior period adjustment	0.05	0.10
From which is deducted:		
Provision for Taxation	0.78	1.17
Deferred Tax	3.75	3.54
Leaving a balance of	11.66	11.00
Which your Directors recommend to be appropriated as under :		
Dividend at 30% on Equity Shares	1.34	1.34
Dividend at 12% on Preference Shares (on pro-rata basis)	0.60	-
Tax on Dividend	0.25	-
Transfer to General Reserve	5.00	5.00
Carried forward to next year's account	4.47	4.66

English Indian Clays Limited

DIVIDEND

Your Directors are pleased to recommend the dividend @ 30% on the Equity Share Capital of Rs.4,46,89,790/- amounting to Rs.1,34,06,937/- and 12% on 10,00,000 Optionally Convertible Redeemable Preference Shares of Rs.10,00,00,000/- on pro-rata basis amounting to Rs.60,16,438/-. The total outgo on account of dividend including dividend tax of Rs.24,88,620/- will be Rs. 2,19,11,995/-.

OPERATIONS**A) CLAY**

Net Sales for the year under review was Rs.6,411 lacs as compared to Rs.5,916 lacs for the previous year. The plant achieved production consistency at 10,000 MT per month achieving 100% capacity utilization. The production and sales during the year has achieved a volume growth of 9.14% and 5% respectively. The new rotary drier commissioned during the year is working satisfactorily. This will ensure 12 months continuous plant operations.

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

Net Sales for the year under review was Rs.5,380 lacs as compared to Rs.4,792 lacs for the previous year. Plant utilization for the period was 99%. Maize prices were significantly higher than expectation due to drought conditions. Focus was on business development for value added products and as a result sales of Modified Starches for the period under review was 7048 MT which is an improvement of 28% over the previous period.

(ii) Biopolymer Plant

Net Sales for the year under review was Rs.1,781 lacs as compared to Rs.1,676 lacs for the previous year. Plant utilization for the period was 89%. Marketing of Paper Starches in the South was established for the first time using the production facilities at Pondicherry.

C) EXPORT

Your Company exported a value of Rs.2.19 Crores primarily consisting of clay products. We are pleased to report that all operations were profitable during the year under review.

CHANGE IN CAPITAL

During the year, your company had issued and allotted 6,48,079 Equity Shares of Rs.10/- each on 12-08-2002 in terms of the Scheme of Reorganization by way of Arrangement, Amalgamation and Reconstruction between the Company and Bharat Starch Industries Ltd. The Company also issued and allotted 10,00,000 12% Optionally Convertible Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10,00,00,000/- on 30-09-2003 on private placement basis.

NEW PROJECTS

As informed earlier, the Company is in the process of setting up a new 20,000 MTPA Calcined Clay plant at Thonnakal, Kerala. All related works on civil, mechanical and electrical are progressing satisfactorily and commercial production is expected to start ahead of schedule, during the current financial year (ending March, 2004).

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.

English Indian Clays Limited

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. BPL has, however, ceased to be subsidiary of the Company w.e.f. 31-03-2003.

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, 2003 fixed deposit amounting to Rs.32.81 lacs which became due for repayment had remained unclaimed by 91 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 made the export earnings of Rs.2.19 Crores and remittance of foreign currency equivalent to Rs.2.14 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.5, 3 & 4 of Schedule 27(B).

DIRECTORS

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 appointments are recommended for your approval.

REAPPOINTMENT OF THE MANAGING DIRECTOR

The previous tenure of the Managing Director Shri Karan Thapar expired on 31st March, 2003. The Directors in their meeting held on 7th February, 2003 re-appointed Shri Karan Thapar as the Managing Director of the Company for a further period of 5 years w.e.f. 1st April, 2003 to 31st March, 2008 subject to the approval of the Shareholders. His appointment is 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.