

English Indian Clays Limited



ANNUAL REPORT 2003-04



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 DR. A.K.BHATTACHARYA (ICICI Nominee) MR. VIJAY RAI
EXECUTIVE DIRECTOR	:	MR. D. KOHLI
VICE PRESIDENT	:	MR. S.K. JAIN
CORPORATE FINANCE ACCOUNTS & ADMINISTRATION		
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
REGISTERED OFFICE	:	KP-III/428, VELI, THIRUVANANTHAPURAM - 695 021 KERALA
CORPORATE OFFICE	:	GLOBAL BUSINESS PARK 801-803, TOWER-B MEHRAULI-GURGAON ROAD GURGAON-122 001
WORKS	:	THIRUVANANTHAPURAM (KERALA) YAMUNANAGAR (HARYANA) PONDICHERRY (U.T.)

THE SHARES OF THE COMPANY ARE LISTED ON MUMBAI AND MADRAS STOCK EXCHANGES
LISTING FEES FOR THE YEAR 2003-2004 PAID TO BOTH THE ABOVE STOCK EXCHANGES

English Indian Clays Limited



CONTENTS

	Page No.
1. Director's Report	3-10
2. Corporate Governance	11-20
3. Management Discussion	21-23
4. Auditor's Report	24-27
5. Accounts	28-53
6. Cash Flow Statement	54-55
7. Abstracts of Balance sheet	56



English Indian Clays Limited

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

NOTICE

The Fortieth 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, 2nd July, 2004 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, 2004, 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. Padmakumar who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri M.L. Khemka 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 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.
"Shri D. Kohli be and is hereby appointed as a Director on the Board 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 pursuant to the provisions of section 269 read with schedule XIII of the Companies Act, 1956 and subject to the approval of such other authorities, as may be necessary, consent of the Company be and is hereby given to the appointment of Shri D. Kohli as the Executive Director of the Company for a period of 3 years w.e.f. 1st April, 2004 on a total remuneration upto Rs.30,00,000/-(Rs.Thirty lacs) per annum with a power to the Board to increase the amount of total remuneration beyond Rs.30,00,000 P.A. from time to time during the tenure of Shri D. Kohli as Executive Director, subject to overall ceiling of 5% of net profits of the Company as calculated under sections 349 and 350 read with section 198 of the Companies Act, 1956 : The detailed components of the remuneration shall be worked out by the Company in consultation with Shri D.Kohli.
"RESOLVED further that notwithstanding the aforesaid ceiling of 5%, in case of absence or inadequacy of profits in any financial year during the tenure of the Executive Director Shri D. Kohli, the remuneration drawn by Shri D. Kohli, Executive Director shall be considered the minimum remuneration subject to the limits specified in schedule XIII of the Companies Act, 1956".
8. To consider, and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.
"RESOLVED THAT pursuant to section 269, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Govt., consent of the Company be and is hereby accorded to pay remuneration comprising of Leave Encashment (Rs.29,75,000/-) and Gratuity (Rs.28,26,923/-) total amounting to Rs.58,01,923/- to Mr. Karan Thapar, Ex-Managing Director of the Company, the said remuneration being in excess of 5% of the Net Profit of the Company calculated U/s 349 & 350 read with section 198 of the Companies Act, 1956 which essentially comprises of retirement benefits only."
9. 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 charge/equitable mortgage on all immovable properties of the Company situated at Veli, Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry in favour of Life Insurance Corporation of India (LIC), 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 LIC.
"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to finalise with LIC, 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 Banks/Financial Institution(s) in respect of other financial assistance obtained "
10. 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, Thiruvananthapuram, (Kerala),

Yamunanagar, (Haryana) and Pondicherry, 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 undertakings in certain events, for securing the followings:

a) Fund based facilities

Cash Credit	:	Rs. 1275 lacs
Packing Credit	:	Rs. 50 lacs
Bills purchased/discounted	:	Rs. 175 lacs
Non-fund based	:	Rs. 400 lacs
TOTAL		Rs. 1900 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 second charge/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 second charge shall be pari-passu to the second charge/mortgage created/to be created in favour of other Banks/Financial Institution(s) in respect of other financial assistance obtained".

11. 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 UTI Bank Ltd., situated at Veli, Thiruvananthapuram (Kerala), Yamunanagar (Haryana) and Pondicherry, 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. 675 lacs
Bills purchased/discounted	:	Rs. 75 lacs
Non-fund based	:	Rs. 200 lacs
TOTAL		Rs. 950 lacs

- 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 second charge/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 second charge shall be pari-passu to the second charge/mortgage created/to be created in favour of other Banks/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 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, 2004 TO 2ND JULY, 2004 (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 2ND JULY, 2004, 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 2ND JULY, 2004, 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. 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, 1996 HAVE BEEN TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND OF THE GOVT.

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

P.S. SAINI
COMPANY SECRETARY

Place : Gurgaon
Date : 28-05-2004

EXPLANATORY STATEMENT

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

ITEM NOS. 6 & 7

The Board of Directors had appointed Mr. D. Kohli as an additional Director on the Board of the Company w.e.f. 22nd March, 2004. In view of the increased level of activities, expanded and diversified operations of the Company, the Board of Directors has appointed Shri D. Kohli also as an Executive Director of the Company w.e.f. 1st April, 2004 U/s 269 read with schedule XIII of the Companies Act, 1956 for a period of 3 years on the terms & conditions provided in the proposed resolution. Shri D. Kohli is a retired Wing Commander of Indian Air Force and associated with the Company since 1992. Shri D. Kohli has been looking after the affairs of the Company for the last 12 years in different positions of the Company. For the appointment of Shri D. Kohli as an Executive Director, Shareholders approval is required U/s 269 of the Companies Act, 1956 read with schedule XIII of the Companies Act, 1956.

As Mr. D. Kohli would hold office as an additional Director till the date of Annual General Meeting, his appointment as a Director is also recommended for your approval. A Notice U/s 257 of the Companies Act, 1956 has been received from a shareholder proposing his appointment on the Board of the Company.

Hence, the resolutions are recommended for your approval.

Except Shri D. Kohli, none of the Directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 8

Shri Karan Thapar had been the Managing Director of the Company since 1-04-1993 and was last reappointed as Managing Director w.e.f. 1st April, 2003 for a period of 5 years. He has resigned from the Managing Directorship of the Company w.e.f. 31-03-2004. In terms of the Company's policy, he is entitled for retirement benefit such as Leave Encashment and Gratuity. His entitlement of Gratuity and Leave Encashment is Rs.28,26,923/- & Rs.29,75,000/- respectively. His remuneration for the year 2003-2004 was within the ceiling of 5% of the Net Profit calculated U/s 349 & 350 read with section 198 of the Companies Act, 1956, leaving apart the amount of retirement benefit. The Company has paid Rs.68,92,279/- as his remuneration during the year which is within the ceiling of 5% of the Net Profit of the Company as calculated U/s 349 & 350 read with section 198 of the Companies Act, 1956.

To pay this excess remuneration of Rs.58,01,923/- which comprises of retirement benefits only, shareholders as well as Central Govt. approval is required U/s 269, 310 & 311 of the Companies Act, 1956.

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. 9

The Company had been sanctioned a Term Loan facility of Rs. 10 Crores from Life Insurance Corporation of India (LIC) to repay high cost debt and normal capital expenditure. This term loan facility is to be secured by creation of equitable mortgage on all immovable properties of the Company situated at Veli, Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry. This charge would be pari-passu to the mortgage/charge(s) created/to be created in favour of the Banks/Financial Institutions. For Creation of Charge on Company's Immovable Properties, 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, in any way concerned or interested in the resolution.

ITEM NO. 10 & 11

The Company had been sanctioned working capital credit facilities to the extent of Rs.1500 lacs on Fund based and Rs.400 lacs on Non-Fund based basis from Oriental Bank of Commerce and to the extent of Rs.750 lacs on Fund based and Rs.200 lacs on Non fund based from UTI Bank Ltd. for its working capital requirement. These working capital credit facilities would be secured by creating second pari passu charge on the immovable properties of the company situated at Veli, Thiruvananthapuram, (Kerala), Yamunanagar, (Haryana) and Pondicherry and first charge on moveable properties of the Company. The Second charge would be pari-passu to the second charge/mortgage created/to be created in favour of the Banks/Financial Institutions. For Creation of Second Charge on Company's Immovable Properties, 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, in any way concerned or interested in the resolution.

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

P.S. SAINI
COMPANY SECRETARY

Place : Gurgaon
Date : 28-05-2004



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 Fortieth General Meeting of the Company to be held on Friday the 2nd July, 2004 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 2004 Signed by the said in the presence of

Affix Re.1/- Reveue Stamp

English Indian Clays Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2004

To

The Members:

Your Directors are pleased to present the Annual Report with audited accounts for the year ended 31st March, 2004.

(Rs. in Crores)

FINANCIAL RESULTS	31st March 2004	31st March 2003
Gross operating Profit earned for the year (before interest and depreciation)	27.82	25.76
Less : Interest	9.98	8.83
Gross Profit before Depreciation	17.84	16.93
Less : Depreciation	5.56	4.80
Profit for the year	12.28	12.13
To which is added :		
- Balance brought forward from the previous year	4.47	4.66
Debenture redemption reserve transferred	-	1.25
Less :		
Exceptional Items	-	1.80
Prior period adjustment	0.05	0.05
From which is deducted :		
- Provision for Taxation	0.73	0.78
Deferred Tax	4.10	3.75
Leaving a balance of	11.87	11.66
Which your Directors recommend to be appropriated		
As under :		
Interim Dividend Paid		
- 12% on Preference Shares	1.20	-
- 10% on Equity Shares	0.45	-
Proposed Dividend		
- 20% on Equity Shares	0.89	1.34
- 10% on Preference Shares (pro rata)	0.02	0.60
Tax on Dividend	0.33	0.25
Transfer to General Reserve	5.00	5.00
Carried forward to next year's account	3.98	4.47

DIVIDEND

During the year your Directors had declared an interim dividend @ 10% on the paid-up Equity Share capital of the company and 12% on Optionally Convertible Redeemable Preference Shares (since redeemed).

English Indian Clays Limited .

Your Directors are pleased to recommend a further dividend @ 20% on the Equity Share Capital of Rs.4,46,89,790/- amounting to Rs.89,37,958/- and Rs.1,91,257/- being pro-rata dividend on 10% Cumulative Redeemable Preference Shares of Rs.100/- each. The total outgo on account of Preference and Equity Dividend including dividend tax of Rs.32,79,769/- will be Rs.2,88,77,963/-.

OPERATIONS**A) CLAY**

During the year under review, Net Sales registered a growth of 6% over the previous year which is essentially on account of better product mix. However, profitability remained stagnant due to significantly higher fuel costs. The coming year promises significant improvement in profitability with the installation of the new Calcined & Spray dried clay plants at Thonnakkal.

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

During the year under review, the net sales were registered at Rs.55.04 Crores as compared to the previous year of Rs.55.28 Crores. Maize prices were significantly higher than expectation viz a viz the finished products which adversely affected the contribution. However, the plant capacity was 100% utilized.

(ii) Biopolymer Plant

Net Sales for the year under review was Rs.25.32 Crores as compared to Rs.22.45 Crores for the previous year. The division registered a growth of about 13% in terms of sales value and sales quantity. The profitability was under severe pressure due to steep hike in prices of raw material by 36% as compared to previous year.

C) EXPORT

Your Company exported a value of Rs.2.73 Crores consisting of clay products Rs.1.92 Crores and Starch products Rs.0.81 Crores. We are pleased to report that all operations were profitable during the year under review.

NEW PROJECTS**(A) CLAY PROJECT**

During the year under review your Company successfully commissioned a 20,000 MTs/ annum Calciner Plant at Thonnakkal before schedule and within budget. Your Company has also completed ahead of schedule and within an approved budget a 50,000 MTs/ annum Spray Drier Plant at Thonnakkal which would increase the Clay capacity upto 1,75,000 MTPA during the financial year 2004-05.

(B) STARCH PROJECT

Your Company has raised the grinding capacity of Yamunanagar plant from 136 TPD to 150 TPD by removing process bottlenecks. It has resulted in increasing the Cornwet capacity by 10%. The Company has also installed additional capacity in Pondicherry to

English Indian Clays Limited

the tune of 1500 MT per annum for producing Carbojet, a new speciality starch for the textile industry.

The Company has successfully commissioned the above said projects and the results for the year 2004-05 will reflect the performance of these projects.

CHANGE IN CAPITAL

During the year your company had redeemed 12% Optionally Convertible Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10,00,00,000/- and issued 10% Cumulative Redeemable Preference Shares of Rs.100/- each which were fully subscribed.

RESEARCH & DEVELOPMENT

The Company's commitment towards the research activities carried out at Company's R&D Centres has resulted in new product development, application support to the customer as well as process support to the manufacturing units.

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, 2004 fixed deposit amounting to Rs.21,50,000/- which became due for repayment had remained unclaimed by 75 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.2.69 Crores and remittance of foreign currency equivalent to Rs.4.80 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.3, 4 & 5 of Schedule 28(B).

DIRECTORS

Shri M.L. Khemka and Shri S. Padmakumar, Directors of the Company being longest in the office, retire by rotation and are eligible for reappointment. Their appointment are recommended for your approval.

During the year Shri Karan Thapar, Chairman-cum-Managing Director resigned from the Managing Directorship of the Company w.e.f. 31st March, 2004. However, he will continue on the