



Annual Report

2007-08



English Indian Clays Limited



English Indian Clays Limited

CHAIRMAN	:	MR. KARAN THAPAR
DIRECTORS	:	MR. S.N. DUA MR. S.K. TOSHNIWAL MR. S. PADMAKUMAR MR. J.K. JAIN (ICICI Nominee) MR. VIJAY RAI
MANAGING 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	:	AXIS 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, 8TH FLOOR, MEHRAULI-GURGAON ROAD GURGAON-122 001 (HARYANA)
WORKS	:	THIRUVANANTHAPURAM (KERALA) YAMUNANAGAR (HARYANA) PUDUCHERRY (U.T.)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE
LISTING FEE FOR THE YEAR 2008-2009 PAID TO BOMBAY STOCK EXCHANGE LTD.

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DIRECTORS' REPORT**FOR THE YEAR ENDED 31ST MARCH, 2008**

To,
The Members:

Your Directors are pleased to present the Annual Report with audited statement of accounts for the year ended 31st March, 2008.

(Rs. in Crores)

	31st March 2008	31st March 2007
Gross Profit from operations	51.50	42.94
Non-operational Income	—	2.66
Gross operating Profit (before interest and depreciation)	51.50	45.60
Less : Interest	11.71	9.68
Gross Profit before Depreciation	39.79	35.92
Less : Depreciation	8.96	7.84
Profit for the year	30.83	28.08
From which is deducted :		
- Provision for Taxation		
Current Tax	10.53	8.07
Fringe Benefit tax	0.24	0.22
Short (Excess) Provision adjusted	0.32	0.07
Deferred Tax	0.35	1.60
Profit after Tax	19.39	18.12
To which is added :		
- Balance brought forward from the previous year	7.33	5.47
Leaving a balance of	26.72	23.59
Which your Directors recommend to be appropriated		
As under :		
Interim Dividend Paid		
- 5% on 10% Preference Shares (last year 5%)	0.50	0.50
- 5.5% on 11% Preference Shares (last year 11% on pro-rata basis)	1.10	0.63
Proposed Dividend		
- @ 5% on 10% Preference Shares	0.50	0.50
- @ 5.5% on 11% Preference Shares (on pro-rata basis)	1.10	0.63
- @ 70% on Equity Shares (previous year 70%)	3.13	3.13
Tax on Dividend	1.08	0.88
Transfer to General Reserve	1.94	10.00
Carried forward to next year's account	17.37	7.32

DIVIDEND

During the year your Directors had declared and paid an interim dividend @ 5% on 10% Cumulative Redeemable Preference Shares of Rs.100/- each and 5.5% on 11% Cumulative Redeemable Preference Shares of Rs.100/- each amounting to Rs.1,60,00,000/-.

Your Directors are pleased to recommend a further dividend @ 70% on the Equity Share Capital of Rs.4,46,89,790/- amounting to Rs. 3,12,82,853/- and 5% on 10% Cumulative Redeemable Preference Shares Capital of Rs. 10,00,00,000/- amounting to Rs.50,00,000/- and 5.5% on 11% Cumulative Redeemable Preference Shares 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. 1,07,54,921/- will be Rs. 7,40,37,774/-.

OPERATIONS

Your Company recorded a modest increase of 10% in its sales turnover, which grew to Rs.278 Crores during the year under review (previous year Rs.253 Crores). Whilst the gross profit from operations grew by a healthy 20%, higher interest charges, reflecting the Indian Government's liquidity and inflation concerns, and increased depreciation reflecting the growing capital investment by your Company, resulted in the pre-tax profit growing by about 10%, in line with the sales growth. The post-tax profit posted an increase of 7% to Rs.19.39 Crores (previous year Rs.18.12 Crores) which is not strictly comparable with the previous year because your Company demerged the investment division during the year under review resulting in a NIL income as compared with a Rs.2.65 Crore dividend income in the previous year (on a like-to-like basis the PAT increased by 22%).

A detailed review of the operations and performance of clay and starch unit is contained in the Management Discussion & Analysis Report which is appended to the Directors' Report and form part of it.

EXPORTS

Despite the strengthening of the rupee against the dollar, the value of exports has risen to Rs.23.58 Crores as compared to Rs.18.22 Crores in the previous year, an increase of about 29%.

INVESTMENT DIVISION

During the year under review, the investment division of the Company was demerged into Bharat Starch Products Ltd. by terms of the Scheme of Arrangement & Demerger between the Company and Bharat Starch Products Ltd., as approved by the Hon'ble High Courts of Kerala at Ernakulam and Delhi at New Delhi vide their orders dated 19-12-2007 and 14-01-2008 respectively. The said Scheme became effective from 31-01-2008, being operative from 1st April, 2007.

With the emphasis on the core businesses of the Company, the rate of return on Net Worth has increased from 22% to 34% during 2007-08.

NEW PLANTS**Starch Plant**

The Company is in the process of setting up a cornwet milling plant to manufacture starch and modified starches at Shimoga, in the state of Karnataka, with an installed grinding capacity of 500 MTPD. The project's capital cost is estimated at Rs.160 Crores and is targetted to be commissioned by September, 2009.

Co-gen Plant

The Company is in the process of completing erection of a 2 Megawatt Co-gen plant at its starch factory at Yamunanagar which is expected to be commissioned in May, 2008. This will ensure the unit an uninterrupted power supply as well as result in lowering the manufacturing cost.

Clay Plant

The Company, in its expansion drive, bought a kaolin processing plant from M/s Wolkem Clays Pvt. Ltd. situated at Kollam, Kerala, in September, 2007, having an installed capacity of 10,000 MTPA, alongwith 20 acres of mining land. The Company has already turned around the said unit into a profit making one.

The Company is also putting up an additional Calciner at its Thonnakkal factory which would double existing capacity from 27000 MTPA to 55000 MTPA. The Calciner is expected to go on stream from July, 2008.

RIGHTS ISSUE

To part finance the cost of setting up of the cornwet milling plant at Shimoga, Karnataka, and long term working capital requirements, and also to meet the issue expenses, the Company is in the process of issue of 744830 Equity Shares of Rs.10/- each at Rs.1000/- per Equity Share (at a premium of Rs.990 per share), aggregating Rs.74.48 Crores. The Board of Directors of your Company has already approved the Rights Issue in the ratio 1 (one) Equity Share of Rs.10/- each at Rs.1000/- each for every 6 (six) Equity Shares of Rs.10/- each held in the Company.

RESEARCH & DEVELOPMENT ACTIVITIES

Your Company continues to lay emphasis on R&D activities. The Company's commitment to R&D activities 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, 2008 fixed deposit amounting to Rs. 8.80 lacs which became due for repayment had remained unclaimed by 31 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.

INTERNAL CONTROL SYSTEMS & I.T.

The Company has successfully implemented mySAP ERP 2005. The Company continue to have a well structured organisation with clearly defined reporting and accountability procedures to ensure effective internal control and the compliance with applicable statutory laws and regulations.

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. 9.95 Crores and remittance of foreign currency equivalent to Rs. 2.35 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 Vijay Rai and Shri S.K. Toshniwal, Directors of the Company being longest in the office, retires by rotation and are eligible for reappointment. Their appointments are recommended for your approval. The Profile of Shri Vijay Rai and Shri S.K. Toshniwal seeking reappointment forms part of the Corporate Governance Report.

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 and (15) 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 31-03-2008 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, 2008 and of the profit of the year ended 31.03.2008.
- 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 continued to pursue its commitment towards environment protection and social responsibility. Under the Rain Water Harvesting Scheme, water is provided free of cost to neighbouring villages around the Thonnakkal mines through pipelines and water tankers. The Company also regularly conducts medical camps for these villages.

HUMAN RESOURCES

Your Company's human resources philosophy empowers and enables employees to deliver high quality performance, with operational freedom and intensive training programs, among others.

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 express their grateful 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 Govts. 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

Place : Gurgaon
Date : 28-04-2008

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

**ENERGY CONSERVATION STATEMENT
STARCH UNIT (YAMUNANAGAR & PUDUCHERRY)**

FORM-A

Power & Fuel Consumption	Current year ended 1/4/2007 to 31/3/2008	Previous year ended 1/4/2006 to 31/3/2007
1. ELECTRICITY		
(a) Purchased Units	12292110	11053654
Total amount (Rs.)	49872127	43652745
Rate/Unit (Rs.)	4.05	3.95
(b) Own Generation		
Through Diesel Generator Units	3305585	3312541
Units Per Ltr. Of D/Oil	3.58	3.80
Cost/Unit (Rs.)	8.75	8.39
2. COAL		
- Quantity (MT)	3853.886	2855.644
- Total cost (Rs.)	17914002	14258187
- Average Rate/MT (Rs.)	4648.00	4993.00
3. FURNACE OIL		
- Quantity (K. Ltr.)	836.743	959.446
- Total cost (Rs.)	17609720	18215166
- Average Rate/K. Ltr.(Rs.)	21045.55	18985.08
4. OTHERS/INTERNAL GENERATION		
(a) Steam Qty. (MT)	46500	59881
Total cost (Rice Husk Bagasse) (Rs.)	35864286	45768520
Average Rate/MT (Rs.)	771.27	764.32
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)	219.05	221.23
Steam (MT/MT)	1.55	1.52
Furnace Oil (Ltr./MT of Gluten)	59.50	96.73

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

- a) Commercialization of Supergloss and Delaminated clay.
- b) Introduction of new liquid bleaching technique.
- c) To identify process route for Alternative Fiberlin.
- d) To Develop new product 'Zeofine' for catalyst application.

Starch Division

- a) Development of different cold water soluble adhesive formulations for various applications in packaging.
- b) Review of various process involved in plant & suggesting alternative routes
- c) Commercialization of high valued products in the application area of adhesives, textile printing, wet-end applications of paper.

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

- a) Increased the Value Added Product market and achieved higher contribution.
- b) Pollution free operation and man power saving.
- c) Better utilization of grey matrix.

Starch Division

- a) A new cost effective alternative process for wet-end starch (cationic) for paper processing applications
- b) Introduction of 3rd variant in cold processable packaging adhesive
- c) Introduction of printing aid in textile printing application.

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

- a) Commercialization of Zeofine and Himashine.
- b) Identifying process route for the production of Pigment composite and FCC catalyst.
- c) Application support to customers for developing cost effective formulations.