

English Indian Clays Limited

Annual Report 2010-11



English Indian Clays Limited

CHAIRMAN	MR. KARAN THAPAR
DIRECTORS	MR. S. K. TOSHNIWAL MR. J. K. JAIN MR. VIJAY RAI MR. PRAVEEN SACHDEV
EXECUTIVE DIRECTOR	MR. RAHUL GUPTA
SR. VICE PRESIDENT CORPORATE FINANCE ACCOUNTS & ADMINISTRATION	MR. S. K. JAIN
COMPANY SECRETARY & HEAD-CORPORATE LEGAL	MR. P. S. SAINI
AUDITORS	WALKER, CHANDIOK & CO. CHARTERED ACCOUNTANTS
BANKERS	AXIS BANK LIMITED STATE BANK OF INDIA YES BANK LIMITED
REGISTERED OFFICE	TC-79/4, VELI, THIRUVANANTHAPURAM-695 021 KERALA
CORPORATE OFFICE	801-803, TOWER-B, 8TH FLOOR, GLOBAL BUSINESS PARK, MEHRAULI-GURGAON ROAD, GURGAON-122 001 (HARYANA)
WORKS	THIRUVANANTHAPURAM (KERALA) YAMUNANAGAR (HARYANA) PUDUCHERRY (U.T.) SHIMOGA (KARNATAKA)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE
LISTING FEE FOR THE YEAR **2011-2012** PAID TO BOMBAY STOCK EXCHANGE LTD.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST MARCH, 2011

To,
The Members:

Your Directors have pleasure in presenting the Annual Report with audited statement of accounts for the year ended 31st March, 2011.

(₹ in Crores)

	31st March 2011	31st March 2010
Gross operating profit (before interest and depreciation)	70.72	69.95
Less : Interest	12.98	13.60
Gross Profit before Depreciation	57.74	56.35
Less : Depreciation	12.36	11.85
Profit for the year	45.38	44.50
From which is deducted :		
- Provision for Taxation		
Current Tax	13.80	13.91
Short (Excess) Provision adjusted	(0.09)	0.09
Deferred Tax	1.28	1.09
Profit after Tax	30.39	29.41
To which is added :		
- Balance brought forward from the previous year	36.36	18.33
Leaving a balance of	66.75	47.74
Which your Directors recommend to be appropriated As under :		
Interim Dividend Paid		
- ₹ 5.50 per Preference Share on 3000000 11% Preference Shares of ₹ 100/- each (last year ₹ 5.50 on pro-rata basis)	1.65	1.38
- @ ₹ 0.50 per Equity Share of ₹ 2/- each (last year ₹ 5/- per Equity Share of ₹ 10/- each)	2.51	2.23
Proposed Dividend		
- @ ₹ 5.50 on 3000000 11% Preference Shares of ₹ 100/- each (last year ₹ 5.50)	1.65	1.38
- @ ₹ 0.50 per Equity Share of ₹ 2/- each (last year ₹ 5/- per Equity Share of ₹10/- each)	2.51	2.23
Tax on Dividend	1.37	1.21
Transfer to General Reserve	3.04	2.94
Carried forward to next year's account	54.02	36.37

DIVIDEND

Your Directors are pleased to recommend a final dividend @ ₹ 0.50 per Equity Share (25%) on 50276013 Equity Shares, face value ₹ 2/- each, amounting to ₹ 2,51,38,007/-, @ ₹ 5.50 per Preference Share on 30,00,000 11% Cumulative Redeemable Preference Shares, face value of ₹ 100/- each, amounting to ₹ 1,65,00,000/- .

During the year, your Directors had declared and paid an interim dividend @ ₹ 0.50 per equity share on 50276013 Equity Shares of ₹ 2/- each and ₹ 5.50/- per preference share on 11% 30,00,000 Cumulative Redeemable Preference Shares of ₹ 100/- each respectively for the year ended 31st March, 2011.

The total outgo on account of dividend including dividend tax of ₹ 1,36,70,279/-will be ₹ 9,69,46,293/-

CAPITAL

During the year, the Authorised Share Capital of the Company was increased from ₹ 38,00,00,000/- to ₹ 48,00,00,000/- by creation of additional 1,00,00,000 Equity Shares of ₹ 10/- each.

During the year under review, the Company sub-divided 1 (one) Equity Share of ₹ 10/- each fully paid up into 5 (five) Equity Shares of ₹ 2/- each fully paid up and issued Bonus shares to those Equity Shareholders of the Company who were holding shares on the record date i.e. 9-7-2010 in the ratio of 5:4 i.e. 5 (five) Bonus Equity Shares of ₹ 2/- each fully paid up for every 4 (four) Equity Shares of ₹ 2/- each fully paid up. The present paid up capital of the Company is ₹ 40,05,52,026/-.

OPERATIONS

During the year under review, your Company registered a nominal growth of 6% in its net sales turnover from ₹ 336 Crores in the previous year to ₹ 355 Crores in the current year. The EBIDTA of ₹ 70 Crores and profit after tax of ₹ 30 Crores have remained at the same level as the previous year.

The net sales from clay business increased from ₹ 178.45 Crores to ₹ 189.43 Crores (an increase of about 6% over the previous year) but the operating margins were under pressure due to increase in the cost of fuel and chemicals. The Starch business has shown growth both in sales from ₹ 158.01 Crores to ₹ 165.81 Crores (an increase of about 5%) and EBIDTA from ₹ 12.60 Crores to ₹ 16.51 Crores (an increase of 31%) due to growth in packaging and poultry industry, and also sale of value added modified starch.

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 continuing global slow down impacted the growth in exports from both starch and clay businesses. Your Company's total exports were at ₹ 27.09 Crores in the year under review as compared to ₹ 35.74 Crores in the previous year.

NEW PLANT

Specialty Starch Plant at Shimoga

The Company is in the final stage of establishing a specialty starch plant at Shimoga in the State of Karnataka with an annual capacity of 45000 MTPA. The trial production in the said plant has commenced.

Clay project at Bhuj

Your Company is also exploring the possibility of establishing a clay manufacturing unit at Bhuj with an installed capacity of 50000 MTPA in the State of Gujarat. The details are being worked out.

RESEARCH & DEVELOPMENT ACTIVITIES

The Company's commitment and strong research orientation has played a stellar role in new product development, application support to the customer, as well as technical support to plant operations.

Particulars with respect to R&D activities carried out, benefits derived, and the expenditure incurred thereon during the year under review is provided in Form B annexed to this report and form part of this report.

FIXED DEPOSITS

On 31st March, 2011 fixed deposit amounting to ₹ 5,73,000/- which became due for repayment had remained unclaimed by 15 depositors.

CORPORATE GOVERNANCE

The Company has complied with the code on corporate governance as prescribed under Clause 49 of the Listing Agreement with Bombay Stock Exchange. 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 ₹ 16.90 Crores and remittance of foreign currency equivalent to ₹ 6.71 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.3 to 5 of Schedule 24B.

DIRECTORS

Mr. Karan Thapar and Mr. J.K. Jain, 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 Mr. Karan Thapar and Mr. J.K.Jain seeking reappointment, forms part of the Corporate Governance Report.

Mr. S.N. Dua ceased to be Director w.e.f. 29-01-2011 in terms of the retirement policy of Directors of the Company. Mr. S.N. Dua had been on the Board of the Company from 20-11-1992. The Board places on record its appreciation for the invaluable service rendered by Mr. S.N. Dua during his tenure on the Board of the Company.

Mr. Praveen Sachdev was appointed as an Additional Director of the Company w.e.f. 28-1-2011 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 Mr. Praveen Sachdev seeking appointment, forms part of the Corporate Governance Report.

PROMOTER GROUP

The Promoter Group holding in the Company currently is 79.91% of the Company's Equity Capital. The Members may note that the promoter group companies, are controlled by Mr. Karan Thapar, comprising of the following Companies (1) Greaves Cotton Ltd., (2) Premium 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) Standard Refinery & Distillery Ltd., (10) Bharat Starch Products Ltd., (11) DBH Global Holdings Ltd., (12) DBH Investments Pvt. Ltd., (13) Greaves Farymann Diesel GmbH (14) DBH Consulting Ltd. (15) Greaves Auto Ltd. (16) Greaves Cotton Netherlands B.V. and (17) Ascot International FZC.

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

Statement of particular of employees as required 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 Walker, Chandiok & Co., 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 31-03-2011 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 judgments 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, 2011 and of the profit of the year ended 31.03.2011.

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

In its avowed commitment to meet social responsibility, your Company undertakes rain water harvesting scheme under which water is provided free of cost to neighbouring villages around Thonnakkal mines. The Company also conducts regular medical camps for the nearby 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 development of leadership and functional capabilities of the management staff.

INDUSTRIAL RELATIONS

The Board of Directors places on record the active, dedicated and valuable contribution made by employees of the Company at all levels in achieving the results in the operations of the Company. The Industrial relations remained cordial at all units of the Company.

ACKNOWLEDGEMENT

The Board of Directors placed on record their appreciation for the continued support and confidence received from Banks/Financial Institutions viz. Axis Bank Ltd., State Bank of India, and Yes Bank Ltd. and Central and State Governments and other Government authorities.

The Directors are also thankful to all other stakeholders for their valuable sustained support to the Company.

FOR AND ON BEHALF OF THE BOARD

Sd/-
(KARAN THAPAR)
Chairman

Place : Thiruvananthapuram
Date : 27-04-2011

efcl

ENERGY CONSERVATION STATEMENT
STARCH UNIT (YAMUNANAGAR & PUDUCHERRY)
FORM – A

Power & Fuel Consumption	Current Year ended 1/4/2010 to 31/3/2011	Previous Year ended 1/4/2009 to 31/3/2010
1. Electricity		
a. Purchased		
Units (KWH)	12,444,635	11,378,820
Total amount (₹ Lacs)	553.61	467.72
Rate/Unit	4.45	4.11
b. Own Generations		
(i) Through Diesel Generator sets		
Units (KWH)	1,374,762	1,311,161
Units/ Ltr of diesel	3.01	3.03
Cost/unit (₹)	11.71	10.15
(ii) Through CO-Generation Power Plant (Units)	2,248,184	3,376,602
2. Fuel		
a. Coal and Lignite		
Quantity (MT)	1,584	1,277
Total Cost (₹ Lacs)	108.66	73.05
Average rate/MT (₹)	6861	5,721
b. Agro waste - Husk, Wood waste etc.		
Quantity (MT)	38,219	33,626
Total Cost (₹ Lacs)	812	676
Average rate/MT (₹)	2,124	2,011
c. Furnace Oil		
Quantity (per '000 KL)	10	220
Total Cost (₹ Lacs)	3.16	62.08
Average rate (Per KL) (₹)	32,595	28,240
Consumption/MT of production		
i) Electricity (UNITS/MT)	287	267
ii) Fuel		
a. Coal and Lignite (Kg)	28.3	21.2
b. Agro waste - Husk, Wood waste etc. (Kg)	683.6	558.6
c. Furnace Oil (KL)	0.2	3.7

F O R M – B

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

Clay Division

(a) Established new process techniques for upgrading the quality of matrix.
(b) Developed nano clay for various applications.
(c) Developed delaminated clay technology for various industrial applications.

Starch Division

a) Developed import substitute of tablet disintegrant.
b) Carried out process improvements for manufacture of pharma starch.
c) Developed alternative process routes for increasing production capacity of syrups and starches.

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

Clay Division

(a) Conservation of higher end raw material.
(b) Development of additional markets.
(c) Value addition to residue.

Starch Division

a) Import substitution of tablet disintegrant.
b) Enhanced production capacity and manufacturing cost reduction for syrups and starches.

3. Future Plan of Action :-

Clay Division

(a) Development of new products
(b) Development of new applications

Starch Division

a) Development of import substitution starch derivatives.
b) Development of improved performance of modified starches.

4. Expenditure on R & D :-

		31st March, 2011 (₹)	31st March,2010 (₹)
a)	Capital	54,32,014	23,10,157
b)	Recurring	1,32,78,804	1,28,30,110
c)	**Total**	**1,87,10,818**	**1,51,40,267**
d)	R&D Expenditure as a percentage of total turnover	0.51%	0.44%

ANNEXURE 'A'

Information pursuant to Section 217 (2A) read with the Companies (Particulars of Employees) Rules,1975, as amended and forming part of the Directors' Report for the financial year ended March 31, 2011.

Sr. No.	Name	Designation	Gross Remuneration (₹)	Qualification	Experience (Years)	Date of Commencement of Employment	Age (Years)	Last Employment held
1.	Mr.Rahul Gupta	Executive Director	7,290,600	B.Tech (IIT, Delhi) MS (Chemical Engg.)	36 Years	02.03.2009	57	Usha Martin Limited

Notes

1. Gross Remuneration includes Salary, Allowances, Peformance Incentive, Leave Travel Concession, Company's Contribution to Provident Fund and Superannuation Fund, Leave Salary, Gratuity paid if any and taxable value of perquisites wherever applicable.

2. Mr. Rahul Gupta, Executive Director is not relative of any Director of the Company.

3. The appointment of Mr. Rahul Gupta, Executive Director is contractual.