



English Indian Clays Limited

Corporate Information

CHAIRMAN

MR. KARAN THAPAR

DIRECTORS

MR. S. K. TOSHNIWAL
MR. J. K. JAIN
MR. VIJAY RAI
MR. PRAVEEN SACHDEV
MR. T. BALAKRISHNAN (w.e.f. 01.05.2012)

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.
CHARTARED ACCOUNTANTS

BANKERS

AXIS BANK LIMITED
STATE BANK OF INDIA
YES BANK LIMITED
ICICI BANK LIMITED
INDUSIND BANK LTD.

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)

HEAD OFFICE

N-75, CONNAUGHT CIRCUS
NEW DELHI - 110001

WORKS

THIRUVANANTHAPURAM (KERALA)
YAMUNANAGAR (HARYANA)
SHIMOGA (KARNATAKA)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE. LISTING FEE FOR THE YEAR 2012-2013 HAS BEEN PAID TO BOMBAY STOCK EXCHANGE LTD.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

To,
The Members:

Your Directors have pleasure in presenting the Annual Report with audited statement of accounts for the year ended 31st March, 2012.

(₹ in Crores)

	31st March 2012	31st March 2011
Gross operating Profit (before interest and depreciation)	56.63	70.72
Less : Interest	18.73	12.98
Gross Profit before Depreciation	37.90	57.74
Less : Depreciation	13.37	12.36
Profit before tax and exceptional items	24.53	45.38
Less : Exceptional Items	2.22	-
Tax Expenses :		
Current Tax	4.96	13.80
Short (Excess) Provision adjusted	0.08	(0.09)
Deferred Tax	2.44	1.28
Profit after Tax	14.83	30.39
To which is added :		
- Balance brought forward from the previous year	54.02	36.36
Leaving a balance of	68.85	66.75
Which your Directors recommend to be appropriated as under :		
Interim Dividend Paid		
- Rs.5.50 per Preference Share on 3000000 11% Preference Shares of Rs.100/- each (last year Rs.5.50 on pro-rata basis)	1.65	1.65
- @ Re.0.30 per Equity Share of Rs.2/- each (last year Rs.5/- per Equity Share of Rs.10/- each)	1.51	2.51
Proposed Dividend		
- @ Rs.5.50 on 3000000 11% Preference Shares of Rs.100/- each (last year Rs.5.50)	1.65	1.65
- @ Rs. Nil per Equity Share of Rs.2/- each (last year Rs.5/- per Equity Share of Rs.10/- each)	-	2.51
Tax on Dividend	0.78	1.37
Transfer to General Reserve	1.48	3.04
Carried forward to next year's account	61.78	54.02

DIVIDEND

Your Directors recommend a final dividend @ ₹ 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/- . However, in view of the reduced profitability of the Company, the Directors do not recommend any final dividend on Equity Share Capital of the Company.

During the year, your Directors had declared and paid an interim dividend @ Re. 0.30 per equity share on 5,02,76,013 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, 2012.

The total outgo on account of dividend including dividend tax of ₹ 78,00,235/- will be ₹ 5,58,83,038/-.

SUBSIDIARY COMPANY

During the year under review, your Company became the subsidiary of M/s DBH International Pvt. Ltd. At present M/s. DBH International Pvt. Ltd is holding 2,56,58,240 Equity Shares of ₹ 2/- each being 51.03% of the total paid up Equity Share Capital of the Company.

OPERATIONS

During the year under review, the operations of your Company were adversely impacted due to slow down in the manufacturing sector. Your Company registered a marginal sales growth of 6% with a turn over of ₹ 378 Crores as against ₹ 356 Crores in the previous year. However, higher cost of raw material particularly maize, and increased cost of fuel and chemicals in both business segments, impacted the overall profits of the Company as the increased cost of inputs and raw material could not be passed on fully to the customers. The profit from operations (PBDIT) has decreased from ₹ 70.72 Crores to ₹ 56.63 Crores. In addition, the significant increase in interest costs by ₹ 5.8 Crores further reduced the PAT to ₹ 14.83 Crores from ₹ 30.39 Crores in the previous year.

The detailed review of the operations and performance of the Clay and Starch businesses is contained in the Management Discussion and Analysis Report which is appended to the Directors' Report and form part of it.

EXPORTS

The continued thrust on export activities has resulted in an increase in direct exports from ₹ 17.37 Crores to 25.31 Crores showing an increase of about 46%.

NEW PLANTS

Specialty Starch Plant at Shimoga

The Specialty Starch plant being established at Shimoga with a capital outlay of ₹ 45 Crores commenced its commercial production w.e.f. 27-06-2011. In this process, the small unviable unit at Puducherry was shut down and its assets were relocated to Yamunanagar and Shimoga.

Clay project at Bhuj

As reported earlier that the Company was exploring possibility of establishing a clay manufacturing unit at Bhuj, Gujarat, the Company has bought 10.50 Hectares land at Bhuj and is in the process of getting various approvals required for the project.

RESEARCH & DEVELOPMENT ACTIVITIES

The Research and Development activities of the Company has given required impetus in new product development, application support to customers and technical support to plant operation.

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, 2012 fixed deposits amounting to ₹ 12,63,000/- which became due for repayment had remained unclaimed by 18 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 conforming the compliance is appended herewith and forms part this report.

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 ₹ 25.31 Crores and remittance of foreign currency equivalent to ₹ 5.77 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.35 to 37.

DIRECTORS

Mr. Vijai Rai and Mr. S.K. Thoshniwal, Directors being longest in the Office, are liable to retire by rotation and are eligible for reappointment. The appointment of Mr. Vijai Rai is recommended for your approval. The Profile of Mr. Vijai Rai seeking reappointment, forms part of the Corporate Governance Report. However, Mr. S.K. Thoshniwal, who retires by rotation at the ensuing Annual General meeting, has conveyed his desire not to seek reappointment. Mr. S.K. Thoshniwal has been a Director since 1978. The Directors placed on record their gratitude and appreciation for his invaluable contribution during his long association with the Company as a Director.

The Directors whilst acceding to his request, have proposed that the vacancy on the Board so caused, be not filled for the present, and the resolution at Item No. 5 of the Notice seeks Members' consent thereto, as required by Section 256(4)(a) of the Companies Act, 1956.

Mr. T. Balakrishnan was appointed as an Additional Director of the Company w.e.f. 1-5-2012 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. T. Balakrishnan seeking appointment, forms part of the Corporate Governance Report.

PROMOTER GROUP

The Promoter Group holding in the Company currently is 77.92% 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) Dee Greaves Ltd., (8) Bharat Starch Products Ltd., (9) DBH Global Holdings Ltd., (10) DBH Investments Pvt. Ltd., (11) Greaves Farymann Diesel GmbH (12) DBH Consulting Ltd. (13) Greaves Auto Ltd. (14) Greaves Cotton Netherlands B.V. , (15) Ascot International FZC , (16) Premium Transmission Cooperatie UA, (17) DBH Stephan Ltd. and (18) Premium Stephan B.V., Netherlands.

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 31-03-2012 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, 2012 and of the profit of the year ended 31.03.2012.
- 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

The Company has a well defined approach towards Environment Protection and Social Responsibility. Your Company continues to undertake rain water harvesting 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.

FORM – A
ENERGY CONSERVATION STATEMENT

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

During the year under review, industrial relations in the Company continued to be cordial and peaceful.

ACKNOWLEDGEMENT

The Board of Directors take this opportunity to express their gratitude and place on record their appreciation for the invaluable support and co-operation extended by Banks/Financial Institutions viz. Axis Bank Ltd., State Bank of India, IndusInd Bank Ltd., ICICI Bank Ltd and Yes Bank Ltd. and Central and State Governments and other Government authorities.

The Directors also express their sincere thanks to all other stakeholders for their valuable continued support to the Company.

FOR AND ON BEHALF OF THE BOARD

Sd/-

Place : Gurgaon
Date : 01-05-2012

(KARAN THAPAR)
Chairman

Power & Fuel Consumption	2011-12	2010-11
1. Electricity		
a. Purchased		
Units (KWH)	14,623,897	12,444,635
Total amount (₹ Lacs)	735.00	553.61
Rate/Unit	5.03	4.45
b. Own Generations		
(i) Through Diesel Generator sets		
Units (KWH)	733,587	1,374,762
Units/ Ltr of diesel	2.97	3.01
Cost/unit (Rs)	12.91	11.71
(ii) Through CO-Generation Power Plant (Units)	1,484,150	2,248,184
2. Fuel		
a. Coal and Lignite		
Quantity (MT)	1,076	1,584
Total Cost (Rs. Lacs)	75.15	108.66
Average rate/MT (Rs.)	6,987	6,861
b. Agro waste - Husk, Wood waste etc.		
Quantity (MT)	37,227	38,219
Total Cost (Rs. Lacs)	840	812
Average rate/MT (Rs.)	2,256	2,124
c. Furnace Oil		
Quantity (per '000 KL)	187	10
Total Cost (Rs. Lacs)	75.26	3.16
Average rate (Per KL) (Rs)	40,259	32,595
Consumption/MT of production		
i) Electricity (UNITS/MT)	303	287
ii) Fuel		
a. Coal and Lignite (Kg)	19.4	28.3
b. Agro waste - Husk, Wood waste etc. (Kg)	669.9	683.6
c. Furnace Oil (KL)	3.4	0.2

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 the removal of other minerals from clay.
- (b) Developed delaminated clay for barrier applications.
- (c) Identified new applications for surface treated hydrous clay

Starch Division

- a) Development of single shot textile sizing starch and its variants.
- b) Process improvement of Textile starches through alternate process.
- c) Development of modified starch for Gypsum Board application.
- d) Development of Partial Pre-Gel Starch as Pharmaceutical excipient.

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

Clay Division

- (a) Utilization of low quality matrix.
- (b) Residue upgradation.
- (c) Opened up new market.

Starch Division

- a) Increased market share of textile starch with higher contribution.
- b) Enhance product quality, consistency and production capacity.
- c) Entry into a new segment and export.
- d) Substituted imported excipient with higher contribution.

3. Future Plan of Action :-

Clay Division

- (a) Development of Non-kaolin products.

- (b) Establishing new areas of applications

- (c) Commercialization of new products

Starch Division

- a) Maize starch based oil-well drilling starch.
- b) Maize starch based coal binder.
- c) Development of Sodium and Calcium gluconate for pharmaceutical use.
- d) Development of cold water soluble adhesive for paper sack application.

4. Expenditure on R & D :-

	31st March, 2012 (Rs.)	31st March, 2011 (Rs.)
a) Capital	41,04,099/-	54,32,014/-
b) Recurring	1,91,96,934/-	1,32,78,804/-
c) Total	2,33,01,033/-	1,87,10,818/-
d) R&D Expenditure as a percentage of Total turnover	0.59	0.51

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, 2012.

Sr. No.	Name	Designation	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Age (Years)	Last Employment held
1	Mr. Rahul Gupta	Executive Director	8,304,600	B.Tech (IIT.Delhi) MS(Cheical Engg.)	37 Years	02.03.2009	58	Usha Martin Limited
2	Mr. Praneet Mehrish	Sr. Vice-President (Corp.HR)	6,567,820	PGD (PM & IR) (Xavier Institute of Social Service)	32 Years	01.06.2010	56	Essar Steel

Notes

- 1 Gross Remuneration includes Salary, Allowances, Performance Incentive, Leave Travel Concession, Company's Contribution to Provident Fund, Leave Salary, Gratuity paid, if any, and taxable value of perquisites, wherever applicable.
- 2 None of the employees listed above, is a relative of any Director of the Company.
- 3 The appointment of Mr. Rahul Gupta, Executive Director is contractual.

CORPORATE GOVERNANCE

1. COMPANY PHILOSOPHY

The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency and accountability in the overall functioning of the Company to carry on its objectives. The internal systems and policies adopted by the Company are within accepted standard for attaining better performance in the functioning of the Company and conducts of business. The policies adopted by the Company are ensuring protection of interest of various constituents such as shareholders, customers, employees and creditors. Your Company is in compliance with the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.

2. BOARD OF DIRECTORS

2.1 Composition of Board of Directors

The Company has optimum combination of executive and non executive Directors. The Board of Directors consist of six directors, comprising of a Non-Executive Chairman, an Executive Director and four Non-Executive/independent Directors as on 31-03-2012. The composition of the Board, attendance of the Directors at the Meetings and also other directorships/memberships of the Committees, are as follows :

Name of the Directors	Category of Director	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee Memberships	
					As a Member	As a Chairman
Mr. Karan Thapar	Chairman (Non-Executive Promoter)	4	No	8	2	-
Mr. S.K. Toshniwal	Non-Executive Independent	4	Yes	2	-	1
Mr. Vijay Rai	Non-Executive Independent	4	Yes	8	3	1
Mr. J.K. Jain	Non-Executive Independent	4	No	2	3	0
Mr. P.Sachdev	Non-Executive Independent	4	No	3	3	-
Mr. Rahul Gupta	Executive Director	4	No	-	1	-

As on 31-03-2012, the Directors of the Company are not related to each other and are independent of each other.

2.2 Board Meetings

The meetings of the Board of Directors of the Company are usually held at Company's Corporate Office at Gurgaon and generally chaired by Mr. Karan Thapar, Chairman of the Company. During the year, the Company held four Board Meetings on 27th April, 2011, 25th July, 2011, 25th October, 2011 and 2nd February, 2012.

Secretary to the Committee. The Executive Director and Senior Vice President (Corporate Finance, Accounts & Administration) are the permanent invitees at the Committee Meetings.

During the year, the Committee met four times, on 27th April, 2011, 25th July, 2011, 25th October, 2011 and 2nd February, 2012.

Attendance of the Members at the Committee Meetings was as under :-

3. AUDIT COMMITTEE

3.1 Composition

The Audit Committee comprises of three Independent Directors viz. Mr. Vijay Rai, Mr. J.K. Jain and Mr. P.Sachdev. Mr. Vijay Rai is appointed by the Committee as the Chairman of the Committee. The Company Secretary is the

Name	Number of Meetings attended
Mr. Vijay Rai	4
Mr. J.K. Jain	4
Mr.P. Sachdev	4