

EICL LIMITED



Annual Report
2015 - 16



Company Information

CIN : U26939KL1963PLC002039

Chairman

Mr. Karan Thapar

Directors

Mr. Vijay Rai
Mr. T. Balakrishnan
Mr. Vijay Kishore Sharma
Ms. Shivpriya Nanda
Mr. Joy Kumar Jain

Executive Director

Mr. S. K. Jain (w.e.f. 09-11-2015)

MD & CEO

Dr. Venkatesh Padmanabhan
(Ceased w.e.f 30-09-2015)

Chief Financial Officer

Mr. M. K. Gupta

Company Secretary &

Vice President - Corporate Affairs

Mr. P. S. Saini (Ceased w.e.f 11-04-2016)

Bankers

Axis Bank Limited
ICICI Bank Limited
State Bank of India
IndusInd Bank Ltd

Registered Office

TC-79/4, Veli
Thiruvananthapuram-695 021
Kerala

Head Office

5th Floor, PTI Building
16/7, Miller Tank Band Area
Vasanth Nagar
Bangalore -560052 (Karnataka)

Auditors

Walker Chandio & Co. LLP
Chartered Accountants

Cost Auditors

A. R. Narayanan & Co.
Cost Accountants

Internal Auditors

T. R. Chadha & Co.
Chartered Accountants

Secretarial Auditors

Manju Laur & Associates
Company Secretaries

Registrar & Share Transfer Agent

RCMC Share Registry Pvt. Ltd.
B- 25/1, Okhla Industria Area, Phase - II
New Delhi - 110020

Corporate Office

801-803, Tower-B, 8th Floor
Global Business Park, M. G. Road
Gurgaon-122 002 (Haryana)

Works

Thiruvananthapuram (Kerala)
Yamunanagar (Haryana)
Shimoga (Karnataka)

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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2016

To,

The Members:

Your Directors have pleasure in presenting the Fifty Second Annual Report of the Company and the audited financial statements for the financial year ended 31st March, 2016.

FINANCIAL SUMMARY

The Company's financial performance for the financial year ended 31st March, 2016 is summarized below:-

(₹ in Crores)

	31st March, 2016	31st March, 2015
Gross operating Profit (before interest and depreciation)	67.78	67.99
Profit on sale of Land	-	2.03
Gross Profit before interest, depreciation & tax	67.78	70.02
Less : Interest	13.15	15.85
Gross Profit before Depreciation	54.63	54.17
Less : Depreciation	12.22	13.29
Profit before tax and exceptional items	42.41	40.88
Less : Exceptional Items	-	-
Tax Expenses :		
Current Tax	14.91	13.01
Earlier Year Tax	0.06	0.04
Deferred Tax	0.05	1.44
Profit after Tax	27.39	26.39
To which is added :		
- Balance brought forward from the previous year	87.15	76.30
Leaving a balance of	114.54	102.69
Which your Directors recommend to be appropriated as under :		
Interim Dividend Paid		
- ₹ 0.50 (25%) and ₹ 0.50 (25%) per Equity Share of ₹ 2/- each	5.03	5.02
- ₹ 5.50 and ₹ 2.75 per Preference Share on 30,00,000 11% Preference Shares of ₹ 100/- each (last year ₹ 2.75 and ₹ 5.50 per Preference Share)	2.47	2.47
Proposed Dividend		
- @ ₹ 0.50 (25%) per Equity Share of ₹ 2/- each (Last year ₹ 0.50 per Equity Share)	2.51	2.51
- @ ₹ 2.75 on 30,00,000 11% Preference Shares of ₹ 100/- each (last year ₹ 2.75 per preference share)	0.83	0.83
Tax on Dividend	2.22	2.07
Transfer to General Reserve	2.74	2.64
Carried forward to next year's account	98.74	87.15

RESERVES

The Directors of the Company propose to transfer a sum of ₹ 2.74 Crores to General Reserve out of the profits of the current year.

DIVIDEND

Your Directors are pleased to recommend a final dividend @ ₹ 0.50 (25%) per Equity Share on 5,02,76,013 Equity Shares, face value of ₹ 2/- each, amounting to ₹ 2,51,38,006.50 and a dividend of ₹ 2.75 per Preference Share on 30,00,000 11% Cumulative Redeemable Preference Shares, face value of Rs.100/- each, amounting to ₹ 82,50,000/-.

During the year, the Company had declared and paid two interim dividends @ ₹ 0.50 (25%) each per equity share on 5,02,76,013 equity shares of ₹ 2/- each, total amounting to ₹ 5,02,76,013/- and ₹ 5.50 and ₹ 2.75 per preference share on 30,00,000 11% Cumulative Redeemable Preference Shares of ₹ 100/- each, total amounting to ₹ 2,47,50,000/- for the year ended 31st March, 2016.

The total dividend on Equity Shares works out to ₹ 1.50 (75%) per share on Equity Shares of ₹ 2/- each and ₹ 11/- (100%) per preference share on Preference Shares of ₹ 100/- each.

The total outgo on account of dividend including dividend tax of ₹ 2,21,92,037/- will be ₹ 13,06,06,058, for the financial year ended 31st March, 2016.

STATE OF THE COMPANY AFFAIRS / CHANGES IN THE NATURE OF BUSINESS, IF ANY

During the year under review, your Company registered a gross operating profit (EBIDTA) of ₹ 67.78 Crores as against ₹ 67.99 Crores in the previous year ended 31-03-2015, almost at the same as of previous year; the profit after tax for the year ended 31-03-2016 is ₹ 27.39 Crores viz-a-viz ₹ 26.39 Crores in the previous year ended 31-03-2015, an increase of about 3.79% over the previous year.

The total turnover of the Company remained stagnant at ₹ 459.26 Crores for the year ended 31-03-2016 as against ₹ 460.24 Crores in the previous financial year ended 31-03-2015. The Company's strategy to lower the sale of clay products to paper industry which is not doing well and to opt out of the low contribution margin products resulted in lower sales volume. However, the focus on sale of value added products and maximizing sale of by-products coupled with low cost of fuel compensating higher cost of raw materials, resulted in maintaining the total turnover and operating profitability of the Company at the same level in current year.

The lower interest and depreciation cost contributed to the improved net profit for the year.

During the year, there is no change in the nature of business of the Company.

There is no qualification, reservation or adverse remark or disclaimer by the Statutory Auditors which requires any explanation or comments from the Board of Directors of the Company.

MATERIAL CHANGES EFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments occurred, affecting the financial position of the Company, between the end of the financial year of the Company and the date of this report.

There is no order passed by any regulator or court or tribunal against the Company, impacting the going concern concept or future operations of the Company.

INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 124 of the Companies Act, 2013, the amount of dividend remaining unpaid /unclaimed for a period of seven years from the year 2008 has to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government of India. The unpaid/unclaimed dividend amount have been transferred to the IEPF.

COMPOSITION AND NUMBER OF MEETINGS OF THE BOARD

The Board of Directors of the Company comprises of well qualified and experienced persons having expertise in their respective areas. It has appropriate combination of Executive and Non-Executive Directors.

The Board meets at least Four times in a year. Annual calendar for the Board meetings for the financial year is fixed at the beginning of each year. If necessary, the Board meetings are also convened beyond the four meetings. During the financial year 2015-16 the Directors met five times i.e., on 8th May, 2015, 28th July, 2015, 8th September, 2015, 6th November, 2015 and 3rd March, 2016 .

No Director is related to any other Director on the Board.

A STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS

Pursuant to section 149(6) of the Companies Act, 2013 each of the Independent Directors of the Company has given his

declaration in 3rd May, 2016 Board meeting confirming that they meet the criteria of independence.

Majority of the Board, 4 out of 7, are Independent Directors. All the Independent Directors of the Company at the time of their first appointment to the Board and thereafter, at the first meeting of the board in every financial year, give a declaration that they meet with the criteria of Independence as provided under Section 149(6) of the Companies Act, 2013.

DIRECTORS/KEY MANAGERIAL PERSONNEL

Mr. Karan Thapar, retires by rotation at the forthcoming Annual General meeting, and being eligible, offers himself for re-appointment. The Board recommends the re-appointment.

Mr. Suresh Kumar Jain was appointed by the Board as the Additional Director of the Company w.e.f. 09-11-2015 and he will hold office upto the date of ensuing Annual General Meeting of the Company.

The Company has received Notices U/s 160(1) of the Companies Act, 2013 proposing the appointment of Mr. Suresh Kumar Jain as a Director of the Company, not liable to retire by rotation.

Their appointments are submitted for your approval.

VACATION OF OFFICE OF THE COMPANY SECRETARY

During the year, the office of the Company Secretary was vacated due to sad demise of Mr. Phool Singh Saini on 11th April, 2016. The Company placed on record a deep appreciation for the valuable services rendered by Mr. Phool Singh Saini during his tenure as the Company Secretary of the Company.

The vacancy of the Company Secretary is being filled up at the earliest.

STATEMENT ON ANNUAL EVALUATION MADE BY THE BOARD

A formal evaluation of the Board, its Committees and of the individual Director is one potential effective way to respond to the demand for greater Board's accountability and effectiveness. The effectiveness and performance of the Board, its Committees and its members are evaluated and measured, considering the following parameters:-

1. Performance of the Board/Committee against the performance benchmark set.
2. Overall value addition by the discussions taking place at the Board meetings/Committee meetings.

3. The regularity and quality of participation of the individual Director in the deliberation of the Board and its Committees, close monitoring of the various actions taken for the implementation of the Board's decision.

The performance evaluation of Directors including Independent Directors is done by the entire Board of Directors excluding the Directors being evaluated. A questionnaire is prepared and is being circulated amongst the Directors for their comments. Review of the performance of the Chairperson of the Company is done by taking into account the views of Executive and Non-Executive Directors of the Company.

COMPOSITION OF AUDIT COMMITTEE

In compliance with the requirement of Section 177, as applicable to the Company, the Board of Directors has constituted Audit Committee. The members of the Audit Committee possess financial/accounting expertise/exposure. The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. Apart from the matters provided under Section 177(4) of the Companies Act, 2013, the Audit Committee also review the significant legal cases pending and all material developments are reported to the Board.

The Audit Committee comprises of the Independent/Non Executive Directors of the Company under the Chairmanship of Mr. Vijay Kishore Sharma. The other Independent/Non Executive Directors of the Committee are:

1. Mr. Joy Kumar Jain, Non Executive Director
2. Ms. Shivpriya Nanda, Independent Director

Statutory Auditors and the Internal Auditors are the permanent invitees at the committee meetings. Mr. Suresh Kumar Jain, Executive Director (appointed w.e.f. 9-11-2015) and Mr. Mahendra Kumar Gupta, Chief Financial Officer are also the permanent invitees at the committee meetings. Mr. P.S. Saini, Company Secretary was the Secretary of the Committee (ceased w.e.f. 11th April, 2016).

For the Financial year 2015-16, the Audit committee met four times i.e., on 8th May, 2015, 27th July, 2015, 06th November, 2015 and 02nd March, 2016.

The recommendations given by the Audit Committee are considered and reviewed by the members of the Board of the Company. However, there is no such case where the Board dissented or did not accept the recommendation of the Audit Committee.

A STATEMENT ON DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY

The Company has constituted Strategy, Risk Review and Corporate Social Responsibility Committee which consist of the following Directors:-

1. Mr. Karan Thapar, Chairman
2. Mr. Vijay Rai, Independent Director
3. Mr. Vijay Kishore Sharma, Independent Director
4. Dr. Venkatesh Padmanabhan, Managing Director & CEO (upto 30-09-2015)
5. Mr. Suresh Kumar Jain, Executive Director (w.e.f. 04-03-2016)

The Company periodically reviews the Company's risk profile under 'PESTLE' nomenclature and management's plans to mitigate /minimize the risks.

The Committee evaluates the existing as well as anticipated risks and the strategy to mitigate those risks within a defined time frame. The Company has in place the risk identification and mitigation policy.

The Company is facing a risk in long term sustainability of the clay operations at Trivandrum due to the continuing opposition to mining by a section of the population and the Government apathy. No new leases have been granted by the successive Governments nearly in the last one decade. Kaolin was reclassified as a minor mineral in the amendments carried out last year. Thus the entire control of regulating the mining of Kaolin is vested with the Government of Kerala ever since. Thus to mitigate this risk, the Company is working on a plan to establish clay mining and beneficiation plant outside Kerala. The Committee does not foresee any other material risks which may threaten the existence of the Company.

During the financial year 2015-16, the Strategy, Risk Review and CSR Committee met once i.e. on 28th July, 2015 under the Chairmanship of Mr. Karan Thapar.

POLICY ON CORPORATE SOCIAL RESPONSIBILITY

The details about the Corporate Social Responsibility policy developed and implemented by the company and the various initiatives taken during the year and other particulars are enclosed in the prescribed form as Annexure – A.

COMPANY'S POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION

The composition of the Nomination & Remuneration Committee is as under:-

1. Mr. Vijay Rai, Chairman of the Committee
2. Mr. Karan Thapar
3. Mr. T. Balakrishnan

The Committee met four times i.e., on 08th May, 2015, 28th July, 2015, 29th September, 2015 and 06th November, 2015.

The Nomination & Remuneration Committee considering the requirement of the skill sets on the Board, integrity of the persons having standing in their respective field/profession and who can effectively contribute to the Company's business and policy decisions, recommend the appointment to the Board for approval.

The Committee has approved a policy with respect to the appointment and remuneration of the Directors and Senior Management personnel. The objectives of this policy are:

- a) to create a transparent system of determining the appropriate level of remuneration throughout all levels of the Company;
- b) encourage people to perform to their highest level;
- c) allow the Company to compete in each relevant employment market;
- d) provide consistency in remuneration throughout the Company;
- e) align the performance of the business with the performance of key individuals and teams within the Company;
- f) long term value creation; and
- g) to attract and retain the best professionals.

The policy details the types of remuneration to be offered by the Company and factors to be considered by the Board, Nomination & Remuneration Committee and management in determining the appropriate remuneration strategy.

SHARE TRANSFER/SHAREHOLDERS' GRIEVANCE COMMITTEE

The Company has constituted a "Share Transfer/Shareholders' Grievance Committee" which consist of the following Directors:-

1. Mr. Vijay Rai, Chairman of the Committee (w.e.f. 8th May, 2015)
2. Mr. Praveen Sachdev, Chairman of the Committee (upto 8th May, 2015)
3. Mr. Karan Thapar
4. Dr. Venkatesh Padmanabhan, Managing Director & CEO (upto 30-09-2015)
5. Mr. Joy Kumar Jain (w.e.f. 01-10-2015)

STATUTORY AUDITOR

M/s Walker, Chandio & Co. LLP, Chartered Accountants, the Statutory Auditors were appointed in the last Annual General Meeting of the company held on 15-06-2015 for a period of 5 years till the conclusion of the Annual General Meeting held in the Calendar year 2020, subject to ratification by the shareholders at each Annual General Meeting.

INTERNAL AUDITOR

The Company has appointed M/s T.R. Chadha & Co., Chartered Accountants, as the Internal Auditors of the Company pursuant to Section 138 read with Rule 13 of the Companies (Accounts) Rules, 2014, for one year to conduct the internal audit for the financial year 2015-16.

COST AUDITOR

M/s A.R. Narayanan & Co., Cost Accountants, have been appointed as Cost Auditors for the financial year 2015-16 to conduct the cost audit of the accounts maintained by the company. They have confirmed their eligibility for appointment under the provisions of Section 148 of the Companies Act, 2013. The remuneration proposed to be paid to the Cost Auditors is submitted for ratification by the shareholders of the Company.

SECRETARIAL AUDITOR

M/s Manju Laur & Associates, Company Secretaries in practice have been appointed as Secretarial Auditors to conduct the Secretarial Audit for the financial year 2014-15 & 2015-16 of the company. They have confirmed their eligibility for appointment under the provisions of Section 204 of the Companies Act, 2013.

SECRETARIAL AUDIT REPORT

The Secretarial Audit report in terms of Section 204 has been annexed to this report as **Annexure - B**. The Board noted that there was no qualification or observation in the Secretarial Audit report which requires any explanation.

EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management & Administration) Rules, 2014, an extract of the annual return of the Company for the year ended 31st March, 2016 has been given in the prescribed Form MGT-9 as **Annexure- C**.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to section 134 (3) (c) and (5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a) the Company has followed the applicable accounting standards in the preparation of the annual accounts for the year ended 31-03-2016 and there is no material deviation from the previous year.
- b) the Directors have 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 as on 31st March, 2016 and of the profit for the year ended 31st March, 2016.
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;
- d) the Directors have prepared the annual accounts of the company on a going concern basis.
- e) the Directors have devised proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Under section 186 of the Companies Act, 2013 the company has neither given any loan, guarantee nor provided any security in connection with a loan, directly or indirectly, to any person or other body corporate. The company has also

not made any investments by way of subscription, purchase or otherwise, in the securities of any other body corporate during the financial year ended 31st March, 2016.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The details of the related party transactions, as per requirement of Accounting Standard 18 are disclosed in notes to the financial statements of the company for the financial year 2015-16. All the directors have disclosed their interest in form MBP-1 pursuant to section 184 of the Companies Act, 2013 and as & when any changes in their interest take place, such changes are placed before the Board at its meetings. None of the transactions with any of the related parties was in conflict with the interest of the company. A statement in the prescribed Form AOC-2 is annexed to this report as **Annexure - D**.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014, the details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows :-

(A) Conservation of energy

(i) Steps taken or impact on conservation of energy are as under :

- Replacement of old equipment and motors with low energy efficient equipment and motors.
- Automation of processes wherever possible and modification of process which helps in energy savings in addition to processing costs.
- Insulation to get better energy management.
- Optimize the voltage level in lighting circuits and replacement of Lamps to LED lights.
- Regular usage of biogas generated in ETP digesters for fuel in waste heat recovery boiler and drying of Gluten.
- Installation of Waste Heat Recovery System.
- Energy audit is being conducted at both the clay manufacturing plants and corrective actions will be taken in due course.

(ii) Steps taken by the company for utilizing alternate sources of energy

The Company is using Bio-mass (Rice Husk) at its both the plants of Starch business.

(iii) Capital investment on energy conservation equipment

During the current financial year, the Company has not incurred any capital expenditure on the energy conservation equipment. However, the proposals are being evaluated on the subject.

(B) Technology absorption

The Company has not imported any technology during the last three years. Hence, the particulars with respect to efforts made towards technology absorption and benefits derived etc. are not applicable to the Company.

(C) Research & Development activities

Your company lays special emphasis on Research & Development activities with an objective to develop new product line for the growth of the Company. The Company's commitment and strong research orientation has played in the past a stellar role in new product development, application support to the customers as well as technical support to plant operations.

Expenditure incurred on Research & Development are as under:-

		31st March, 2016 (₹)	31st March, 2015 (₹)
a)	Capital	70,16,353	1,64,04,074/-
b)	Recurring	2,22,86,390	3,41,01,607/-
c)	Total	2,93,02,743	5,05,05,681/-
d)	Total R & D Expenditure as a percentage of total turnover	0.60	1.09

(D) Foreign Exchange earnings and outgo

The company has recorded export earnings of ₹ 46.42 Crores and remittance of foreign currency equivalent to ₹ 12.75 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.34 to 36.

VIGIL MECHANISM POLICY

The company has a "Vigil Mechanism Policy" to facilitate the Directors and employees at all levels, to voice their concerns or observations to the Chairman of Audit Committee. The policy provide a framework to promote responsible and secure whistle blowing.

The Company has provided a dedicated email ID which can be accessed only by the Chairman of the Audit Committee.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMAN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has put in place an Anti-Sexual Harassment mechanism in line with the requirements of the Sexual Harassment of Women at the Workplace (prevention, prohibition & Redressal) Act, 2013. Internal Complaints Committees have been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The Company has not received any complaint of sexual harassment during the year 2015-16.

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 employees.

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 places on record their appreciation for the continued support and confidence received from Banks viz. Axis Bank Ltd., State Bank of India, ICICI Bank Ltd., IndusInd 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: Gurgaon

Date: 03-05-2016

DIN: 00004264