

*Annual Report*  
2006-07



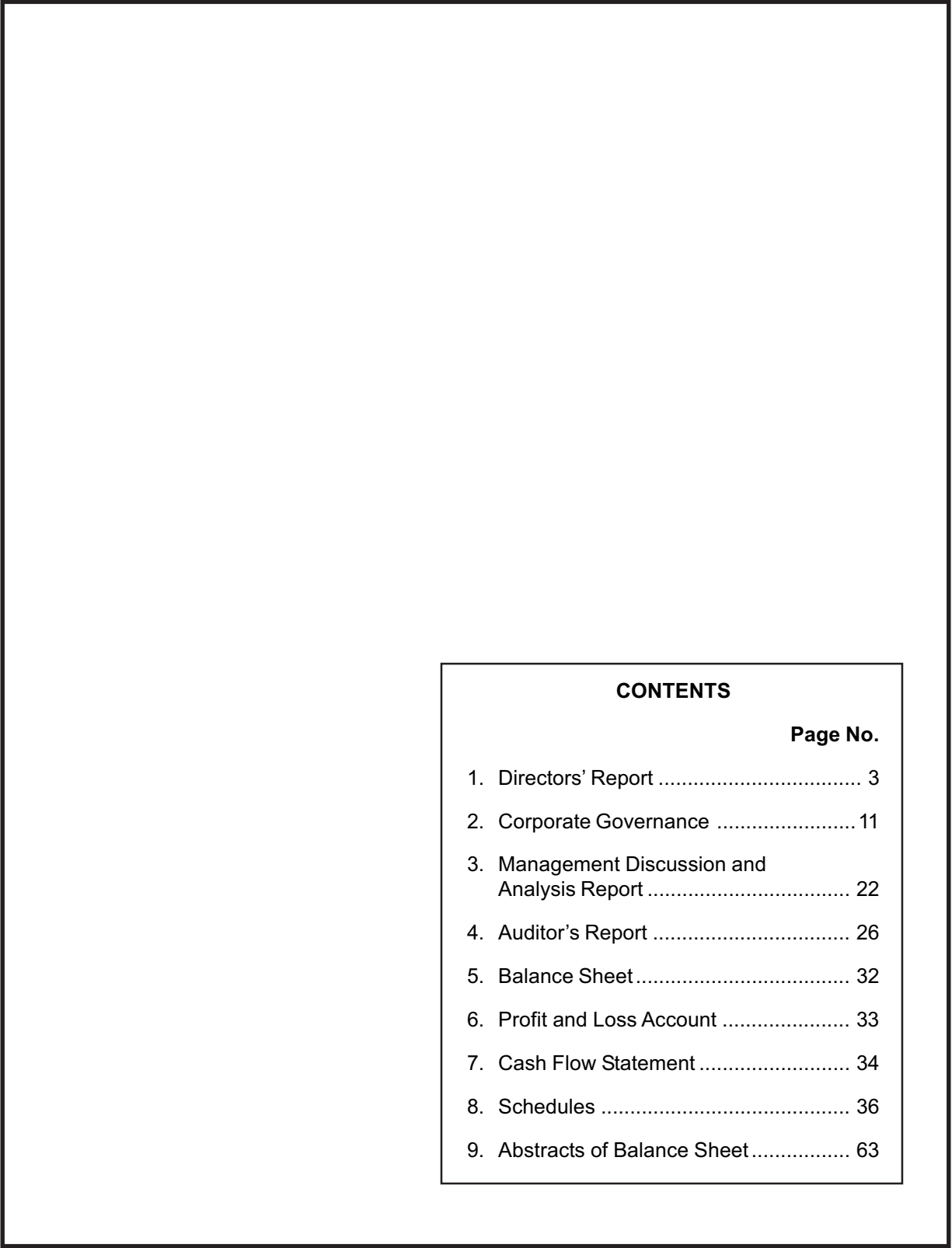
English Indian Clays Limited



# English Indian Clays Limited

CHAIRMAN	:	MR. KARAN THAPAR
DIRECTORS	:	MR. B. M. THAPAR 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	:	UTI BANK LIMITED ORIENTAL BANK OF COMMERCE ICICI BANK LIMITED 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) PONDICHERRY (U.T.)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE  
LISTING FEE FOR THE YEAR 2007-2008 PAID TO BOMBAY STOCK EXCHANGE LTD.



<b>CONTENTS</b>	
	<b>Page No.</b>
1. Directors' Report .....	3
2. Corporate Governance .....	11
3. Management Discussion and Analysis Report .....	22
4. Auditor's Report .....	26
5. Balance Sheet .....	32
6. Profit and Loss Account .....	33
7. Cash Flow Statement .....	34
8. Schedules .....	36
9. Abstracts of Balance Sheet .....	63

**DIRECTORS' REPORT****FOR THE YEAR ENDED 31ST MARCH, 2007**

To,  
The Members:

Your Directors are pleased to present the Annual Report with audited statement of accounts for the year ended 31st March, 2007.

**(Rs. in Crores)**

	<b>31st March 2007</b>	<b>31st March 2006</b>
Gross Profit from operations	41.77	32.13
Other Income	3.31	9.45
Gross operating Profit (before interest and depreciation)	45.08	41.58
<b>Less : Interest</b>	9.15	9.58
Gross Profit before Depreciation	35.93	32.00
<b>Less : Depreciation</b>	7.84	7.51
Profit for the year	28.09	24.49
From which is deducted :		
- Provision for Taxation		
Current Tax	8.07	5.40
Fringe Benefit tax	0.22	0.36
Short (Excess) Provision adjusted	0.07	0.24
Deferred Tax	1.60	0.82
Profit after Tax	18.13	17.67
To which is added :		
- Balance brought forward from the previous year	5.47	4.04
Leaving a balance of	23.60	21.71
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 Nil) (on pro-rata basis)	0.63	—
Proposed Dividend		
- @ 5% on 10% Preference Shares	0.50	0.50
- @ 5.5% on 11% Preference Shares (on pro-rata basis)	0.63	—
- @ 70 % on Equity Shares (previous year 100%)	3.13	4.47
Tax on Dividend	0.88	0.77
Transfer to General Reserve	10.00	10.00
Carried forward to next year's account	7.33	5.47

## ENGLISH INDIAN CLAYS LIMITED

### **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 (pro-rata basis) amounting to Rs.1,12,98,630/-.

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.62,98,630/- (on pro-rata basis). The total outgo on account of Preference and Equity Dividend including dividend tax of Rs.88,21,356/- will be Rs. 6,27,01,469/-.

### **CAPITAL**

In terms of the authority given by the shareholders in their Annual General Meeting held on 31<sup>st</sup> August, 2006, the Company had increased its Authorised Share Capital from Rs.18,00,00,000/- to 38,00,00,000/- by creation of additional 20,00,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each and the Company had allotted 20,00,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each to a group Company on preferential basis by way of private placement.

### **OPERATIONS**

During the year under review, both the divisions i.e. clay and starch have consolidated their businesses and achieved marked improvement in their financial and operational spheres. Your Company registered a sales growth of 22% with a turnover of Rs. 253 Crores (previous year Rs.207 Crores) on an overall basis. The profit from operations (PBDIT) excluding other income has increased significantly from Rs.32.13 Crores to Rs.41.77 Crores, an increase of 30% over the previous year. However, Profit After Tax has improved only marginally from Rs.17.67 to Rs.18.13 Crores due to decrease in other income from Rs.9.45 Crores to Rs.3.31 Crores during the year under review. A detailed review of the operations and performance of clay and starch units is contained in the Management Discussion & Analysis Report which is appended to the Directors' Report and forms part of it.

### **EXPORTS**

Your Company exported a value of Rs.11.34 Crores as compared to Rs.8.41 Crores in the previous year, consisting of clay products Rs.10.39 Crores (Previous Year Rs.7.56 Crores) and starch products Rs. 95 lacs (Previous Year Rs.85 lacs). The Company is expected to increase its exports in the coming year.

### **INVESTMENTS**

During the year under review the Company's investments gave an EBIT of Rs. 2.66 Crores as against Rs. 8.10 Crores in the previous year. The Directors of the Company have resolved to demerge the investments division subject to statutory and regulatory approvals. This will enable the Company to focus on its core business of manufacturing.

### **RESEARCH & DEVELOPMENT ACTIVITIES**

Your Company continues to lay emphasis on R&D activities.

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 forms part of this report.

### **FIXED DEPOSITS**

On 31st March, 2007 fixed deposits amounting to Rs. 12,74,000/- which became due for repayment had remained unclaimed by 50 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.**

With a view to strengthen the internal control systems and procedures, the Company has upgraded its I.T. System and mySAP ERP 2005 has been successfully implemented by the Company.

### **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. 11.34 Crores and remittance of foreign currency equivalent to Rs. 8.45 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 S. Padmakumar, Director of the Company being longest in the office, retires by rotation and is eligible for reappointment. His appointment is recommended for your approval. The Profile of Shri S. Padmakumar seeking reappointment forms part of the Corporate Governance Report.

Shri B.M. Thapar, who retires by rotation at the ensuing Annual General meeting, has conveyed his desire not to seek re-appointment. Shri B.M. Thapar has been a Director since 1992. Over the years, Shri B.M. Thapar's leadership and guidance has always been a source of encouragement to the Company and the Directors on the Board. The Directors place on record their gratitude and appreciation for his immense contributions and for always sharing with the Board the benefits of his experience during his long association with the Company as a Director.

## ENGLISH INDIAN CLAYS LIMITED

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.

During the year under review, Shri M.L. Khemka, Director, resigned from the Board of the Company w.e.f. 12<sup>th</sup> February, 2007. The Board placed on record its appreciation for the invaluable service rendered by Shri M.L. Khemka during his tenure on the Board of the Company.

### **APPOINTMENT OF MANAGING DIRECTOR**

The Directors in their meeting held on 22<sup>nd</sup> March, 2004 had appointed Shri D. Kohli as the Executive Director of the Company under section 269 read with Schedule XIII of the Companies Act, 1956, for a period of 3 years w.e.f. 1<sup>st</sup> April, 2004. The dedicated and able leadership of Shri D. Kohli as Executive Director has resulted in consistently improving and maintaining the performance of the Company during his tenure as the Executive Director of the Company. Considering the overall growth of the Company and the projects undertaken as well as the invaluable contribution of Shri D. Kohli, the Directors in their meeting held on 24-01-2007 appointed Shri D. Kohli as the Managing Director of the Company for a period of 3 years w.e.f. 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2010 on a total remuneration upto Rs.60,00,000/- per year. The Profile of Shri D. Kohli form part of the Corporate Governance Report.

His appointment is recommended for your approval.

### **PROMOTER GROUP**

The Company is a part of B.M. Thapar Group. The Promoter Group holding in the Company currently is 83.74% 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., and (12) DBH Global Holdings Ltd.

### **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.

### **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 31-03-2007 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, 2007 and of the profit of the year ended 31.03.2007.
- 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.

#### **COPORATE SOCIAL RESPONSIBILITY**

The Company continued to pursue its agenda on social responsibility through rain water harvesting scheme. The rain water stored in the reservoir was shared round the year with the neighbouring village.

#### **HUMAN RESOURCES**

The thrust across the Company was on inculcating professionalism and team work. All the three divisions were certified for ISO 9001:2000 compliance and are now preparing for ISO 14000 certification.

#### **INDUSTRIAL RELATIONS**

The Board of Directors wish to place on record their appreciation for the devoted services rendered by the Company's employees at all levels in achieving the targets of the Company. The Company enjoyed cordial industrial relations throughout the year.

#### **ACKNOWLEDGEMENT**

The Directors express their grateful appreciation for the valuable cooperation and assistance extended by Banks/Financial Institutions viz. UTI Bank Ltd., Oriental Bank of Commerce, ICICI Bank Ltd., 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 shareholders for their continued support to the Company.

**FOR AND ON BEHALF OF THE BOARD**

Sd/-  
**KARAN THAPAR**  
**CHAIRMAN**

Place : Gurgaon  
Date : 26-06-2007

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

**FORM-A**

<b>Power &amp; Fuel Consumption</b>	<b>Current year ended 1/4/2006 to 31/3/2007</b>	<b>Previous year ended 1/4/2005 to 31/3/2006</b>
<b>1. ELECTRICITY</b>		
(a) Purchased Units	11053654	12075830
Total amount (Rs.)	43652745	46770474
Rate/Unit (Rs.)	3.95	3.87
(b) Own Generation		
Through Diesel Generator Units	3312541	1607675
Units Per Ltr. Of D/Oil	3.80	3.59
Cost/Unit (Rs.)	8.39	7.58
<b>2. COAL</b>		
- Quantity (MT)	2855.644	1242.87
- Total cost (Rs.)	14258187	7095028
- Average Rate/MT (Rs.)	4993.00	5708.57
<b>3. FURNACE OIL</b>		
- Quantity (K. Ltr.)	959.446	1115.00
- Total cost (Rs.)	18215166	18591586
- Average Rate/K. Ltr.(Rs.)	18985.08	16674.06
<b>4. OTHERS/INTERNAL GENERATION</b>		
(a) Steam Qty. (MT)	59881	57419
Total cost (Rice Husk Bagasse) (Rs.)	45768520	30142572
Average Rate/MT (Rs.)	764.32	524.96
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)	221.23	201.50
Steam (MT/MT)	1.52	1.52
Furnace Oil (Ltr./MT of Gluten)	96.73	117.00

**F O R M - B**

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

**Clay Division**

- (a) Commercialization of surface modified Calcined clay.
- (b) Introduction of new bleaching technique to improve the optical properties of residue.
- (c) Identification of cheaper process chemical to reduce the production cost.
- (d) Providing technical support to expand the market for value added products.

**Starch Division**

- (a) Development of new formulations for Paper and Adhesive(packaging) applications.
- (b) Technical support to plant for various process & alternative routes.
- (c) Introduction of high value products in additives for paper processing & Textile printing/finishing application.

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

**Clay Division**

- (a) Achieved higher contribution by value addition.
- (b) Up gradation of residue.
- (c) Achieved cost saving.
- (d) Developed new markets and widened the market base.

**Starch Division**

- (a) New cost effective process for oxidized starch for paper surface sizing application.
- (b) Introduction of new surface sizing formulation in pigment binding of paper application.
- (c) Introduction of two new variant in cold processable adhesives for packaging application

**ENGLISH INDIAN CLAYS LIMITED**

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

**Clay Division**

- (a) Commercialization of Supergloss, Titanium treated calcined clay and Silica coated hydrous clay.
- (b) Development of Clay based catalyst and Nanoclay.
- (c) Identifying suitable technique to use low brightness raw matrix.

**Starch Division**

- (a) Development of new cost effective process for wet-end of paper application.
- (b) Development & commercialization of printing thickener in Textile Printing segment.

**4. Expenditure on R & D :-**

	<b>31st March, 2007 (Rs.)</b>	<b>31st March,2006 (Rs.)</b>
a) Capital	7,15,527	18,86,800
b) Recurring	83,77,654	79,25,264
<b>c) Total</b>	<b>90,93,181</b>	<b>98,12,064</b>
d) Total R&D Expenditure as a percentage of total turnover	0.36%	0.47%

**PARTICULARS OF EMPLOYEES REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED UPTO DATE AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2007**

SR. No.	NAME	DESIGNATION	REMUNERATION RECEIVED/ RECIEVABLE	QUALIFICATION	EXPERIENCE	DATE OF COMM- ENCEMENT OF EMPLOYMENT	AGE	LAST EMPLOYMENT BEFORE JOINING THE COMPANY
1	Mr. D. Kohli	Executive Director	Rs.24,95,380/-	B.A.	34 Years	1/4/1993	62	DBH International Pvt. Ltd.

**NOTE :**

- 1 The appointment is contractual.
- 2 Remuneration includes salary and allowances, Contribution to Provident and Superannuation Fund and where applicable Gratuity, Pension, Medical benefits, Personal Accident Insurance, House Rent Allowance, leave Travel concession, Car Allowance, Water and Electricity Charges, Club Subscription and taxable value of perquisites.
- 3 Mr. D. Kohli is not related to any Director of the Company.

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

The Corporate Governance assumes great importance in the business of the Company. The Company adopted adequate policies of Corporate Governance to ensure transparency, professionalism and accountability in its dealing with stakeholders, customers, lenders and employees. During the year under review your Company has followed all mandatory requirements provided under Clause 49 of the Listing Agreement with the Stock Exchange.

### 2. BOARD OF DIRECTORS

#### 2.1 Composition of Board of Directors

The Board of Directors comprises of a Non-Executive Chairman, an Executive Director<sup>#</sup> and six Non-Executive Directors including one Nominee Director. 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)	5	No	11	4	—
Mr. B.M. Thapar	Non-Executive Promoter	4	No	11	1	—
Mr. S.N. Dua	Non-Executive Independent	6	No	7	3	2
Mr. S.K. Toshniwal	Non-Executive Independent	6	Yes	4	1	1
Mr. M.L. Khemka***	Non-Executive Independent	2	No	8	—	—
Mr. S. Padmakumar	Non-Executive Independent	5	No	8	6	3
Mr. Vijay Rai	Non-Executive Independent	5	Yes	7	3	1
Dr. A.K. Bhattacharya*	Non-Executive Independent Nominee of ICICI	1	No	2	1	—
Mr. J.K. Jain**	Non-Executive Independent Nominee of ICICI	5	No	2	1	—
Mr. D. Kohli	Executive Director <sup>#</sup>	6	No	5	1	—

\* Dr. A.K. Bhattacharya ceased to be a Director w.e.f. 25-05-2006.

\*\* Mr. J.K. Jain was nominated by ICICI Bank Ltd. on the Board of the Company w.e.f. 26-05-2006.

\*\*\* Mr. M.L. Khemka resigned from the board of the Company w.e.f. 12.02.07

<sup>#</sup> Managing Director w.e.f. 1.4.2007

**2.2 Board Meetings**

The meetings 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 its Board Meetings on 25<sup>th</sup> May, 2006, 20<sup>th</sup> July, 2006, 1<sup>st</sup> August, 2000, 30<sup>th</sup> October, 2006, 24<sup>th</sup> January, 2007 and 8<sup>th</sup> March, 2007.

**3. AUDIT COMMITTEE**

**3.1 Composition**

The Audit Committee comprises of three Independent Directors viz. Mr. Vijay Rai, Mr. S.K. Toshniwal and Mr. S.N. Dua. Mr. Vijay Rai is appointed by the Committee as the Chairman of the Committee. The Company Secretary is the Secretary to the Committee. The Vice President (Corporate Finance, Accounts & Administration) is the permanent invitee at the Committee Meetings.

During the year, the Committee met five times, on 25<sup>th</sup> May, 2006, 20<sup>th</sup> July, 2006, 1<sup>st</sup> August, 2006, 30<sup>th</sup> October, 2006 and 24<sup>th</sup> January, 2007.

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

Name	Number of Meetings attended
Mr. Vijay Rai	3
Mr. S.N. Dua	5
Mr. S.K. Toshniwal	5

**3.2 Terms of Reference**

The terms of reference of the Audit Committee inter alia, include the following :

- to discuss with the Auditors both Internal Auditors as well as Statutory Auditors on adequacy of internal controls in systems and procedures.
- adherence to significant Accounting Policies and compliance with the Accounting Standards.
- review of financial reporting system.
- review of Company’s financial and risk management policies.
- ensuring regulatory compliances.
- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Committee also reviews and discusses the quarterly, half-yearly and annual financial statements before they are considered by the Board.

**4. REMUNERATION TO DIRECTORS****A. Executive Director (Managing Director w.e.f. 1-04-2007)****(Amount in Rs.)**

Executive Director	Salary	Perquisites	Retirement Benefits	Commission	Total
MR. D. KOHLI	21,35,000/-	84,980/-	2,75,400/-	-	24,95,380/-

**B. Non-Executive Directors****I.****(Amount Rs)**

Name	Sitting Fees
Mr. Karan Thapar	50,000/-
Mr. B.M. Thapar	40,000/-
Mr. S.N. Dua	97,000/-
Mr. M.L. Khemka	20,000/-
Mr. S.K. Toshniwal	91,000/-
Mr. S. Padmakumar	50,000/-
Mr. Vijay Rai	110,000/-
Dr. A.K. Bhattacharya	10,000/-
Mr. J.K. Jain	50,000/-

**II.****(Amount in Rs.)**

Chairman	Commission
MR. KARAN THAPAR	28,87,870/-

The members of the Company in their Extra-Ordinary General meeting held on 24-08-2004 approved the payment of Commission @ 1% per annum, in aggregate, to the Non-Executive Directors of the Company U/s 309 of the Companies Act, 1956 on the Net Profit of the Company as calculated U/s 349 and 350 of the Companies Act, 1956. Keeping in view of the overall involvement of Shri Karan Thapar, Chairman of the Company in the affairs of the Company's business, the Directors resolved to give 1% commission to Shri Karan Thapar.

## ENGLISH INDIAN CLAYS LIMITED

### III. Director's Shareholding

The following non-executive directors are holding shares in the Company:-

	No.of Shares
1. Mr. B.M. Thapar	3000
2. Mr. Karan Thapar	6400
3. Mr. S. Padmakumar	1620
4. Mr. Vijay Rai	1700
5. Mr. S.N. Dua	200
6. Mr. S.K. Toshniwal	1500
7. Dr. A.K. Bhattacharya (ceased w.e.f. 25-05-2006)	300

### 5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders Grievance/Share Transfer Committee comprises of Mr. S.K. Toshniwal as Chairman of the Committee and Mr. Karan Thapar, Mr. D. Kohli and Mr. S.N. Dua as other members of the Committee.

Mr. P.S. Saini, Company Secretary is the Compliance Officer of the Company. During the year, the Committee met 2 times and redressed all the complaint/grievance from the Shareholders. There is no complaint pending as on date.

### 6. GENERAL MEETINGS

Last three Annual General Meetings were held as under :-

Financial year ended	Date of Meeting	Time	Venue
31 <sup>st</sup> March, 2006	31 <sup>st</sup> August, 2006	11.30 a.m.	TC-79/4, Veli, Thiruvananthapuram, Kerala
31 <sup>st</sup> March, 2005	1st July, 2005	11.30 a.m.	TC-79/4, Veli, Thiruvananthapuram, Kerala
31 <sup>st</sup> March, 2004	2nd July, 2004	11.30 a.m.	KP-III/428, Veli, Thiruvananthapuram, Kerala

A Special resolution approving alteration of Clause V of Memorandum of Association and Article 5 of Articles of Association of the Company U/s 94 of the Companies Act, 1956 was unanimously passed in the Annual General Meeting held on 31<sup>st</sup> August, 2006.

A Special resolution approving issue of 20,00,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each U/s 81(1-A) of the Companies Act, 1956 was unanimously passed in the Annual General Meeting held on 31<sup>st</sup> August, 2006.

A special resolution approving payment of retirement benefit to the Ex-Managing Director U/s 269, 310 & 311 of the Companies Act, 1956 was unanimously passed in the Annual General Meeting held on 2<sup>nd</sup> July, 2004.

On 20<sup>th</sup> February, 2004 there was an Extra-Ordinary General Meeting of the Members of the Company. In the EGM, a Special Resolution approving the issue of 10,00,000 10% Cumulative Redeemable Preference Shares U/s 81(1A) of the Companies Act, 1956 was unanimously passed.

On 24<sup>th</sup> August, 2004 there was an Extra-Ordinary General Meeting of the Members of the Company. In the EGM, a Special Resolution approving the payment of 1% commission to Non Executive Directors of the Company U/s 309 of the Companies Act, 1956 was unanimously passed.

There is no special resolution passed through postal ballot during the last 3 years.

## 7. DISCLOSURES

### a. Related Party Transactions

With respect to the detail of related party transactions of material nature, a suitable disclosure as required by Accounting Standard (AS-18) has been made in the Annual Report. All the directors have disclosed their interest in Form 24AA pursuant to section 299 of the Companies Act, 1956 and as and when any changes in their interest take place, they are placed before the Board at its meetings.

### b. Compliance by the Company

There were no instances of non-compliance of any requirements of the Stock Exchange, SEBI and other statutory authorities on any matters relating to capital market during the last 3 years ending March 31,2007 except with regards to delay in publishing the results for the year ended March 31, 2006 for which intimation was sent to the Stock Exchange.

### c. Code of Conduct

The Company's Code of Conduct as adopted by the Board of Directors of the Company at its meeting held on 28<sup>th</sup> October, 2005 is a comprehensive Code laying down in detail the standards of business conduct, ethics and governance. The Code is available on the Company's Website: [www.eiclclays.com](http://www.eiclclays.com).

The Code has been circulated to all the members of the Board and the Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Executive Directors of the Company is given below :

"I hereby confirm that all Directors and Senior Management of the Company have affirmed compliance with the Company's Code of Conduct for the financial year ended 31<sup>st</sup> March, 2007".

Gurgaon  
26-06-2007

Sd/-  
D. Kohli  
Managing Director

**d. CEO/CFO Certification**

The Managing Director and Vice President (Corporate Finance & Accounts) have signed a joint certificate accepting responsibility for the financial statements and confirming the effectiveness of the internal control systems, as required in Clause 49 of the Listing Agreement as per Annexure 1.

**8. MEANS OF COMMUNICATION**

The Company usually publishes quarterly, half-yearly and annually, its financial results in Cochin edition of *Financial Express* in English and *Mangalam* in Malayalam Language and are also uploaded on the Electronic Data Information Filing And Retrieval System of the Stock Exchange, Mumbai as required by the Listing Agreement.

Management Discussion and Analysis Report is appended and form part of the Annual Report.

**9. GENERAL SHAREHOLDER INFORMATION**

**9.1 Disclosures regarding appointment/re-appointment of Directors**

**Mr. S. Padmakumar**

After a distinguishing academic career leading to Masters Degree from Delhi School of Economics, Shri Padmakumar entered the Indian Administrative Service in the year 1957. Assigned to the Kerala Cadre, after the standard field tenures in sub divisions and districts, he has headed as CMD, public sector undertakings like the Travancore Titanium Products and the Industrial Development Corporation, served as Secretary to Government in Revenue, Finance, Industry etc. departments and as First Member, Board of Revenue, before retiring in 1992 as Chief Secretary. During this period, he had also served as Chairman and/or Director on the Boards of a number of State and Central undertakings and public companies, as Government nominee. He continues to serve as an independent Director on the Boards and Governance committees of over half a dozen well known Public companies. Mr. S. Padmakumar is associated with the Company from 1993 as a Director on the Board of the Company.

**Other Directorships**

1. City Theatres (P) Ltd.
2. BPL Ltd.
3. Binani Industries Ltd.
4. Binani Cement Ltd.
5. Goa Fibre Ltd.
6. Binani Lead Ltd.
7. Andhra Bank Ltd.
8. Binani Zinc Ltd.

**Committee Memberships**

**Audit Committee**

- BPL Ltd. – Member
- Binani Industries Ltd. – Chairman
- Binani Cement Ltd. – Chairman
- Goa Fibre Ltd. – Member
- Binani Lead Ltd. – Member

**Investors Relations Committee**

- BPL Ltd. – Member
- Binani Industries Ltd. – Member
- Binani Cement Ltd. – Chairman
- Goa Fibre Ltd. – Member

**9.2 Appointment of Managing Director**

Mr. D. Kohli was appointed as the Director of the Company w.e.f. 22<sup>nd</sup> March, 2004 and designated as Executive Director of the Company w.e.f. 1<sup>st</sup> April, 2004 for a period of 3 years. The Directors in their meeting held on 24-01-2007 appointed Mr. D. Kohli as the Managing Director of the Company for a period of 3 years w.e.f. 1<sup>st</sup> April, 2007.

Mr. D. Kohli, aged 61 years, is a retired Wing. Commander of Indian Air Force and associated with the Company since 1992. Shri D. Kohli had been looking after the affairs of the Company for the last 15 years in different positions of the Company. He holds Directorships in following Companies.

**Other Directorships**

1. Standard Refinery & Distillery Ltd.
2. Bharat Starch Products Ltd.

**Committee Memberships**

**Shareholders Grievance/Share Transfer Committee**

- English Indian Clays Ltd. – Member

**9.3 Forthcoming Annual General Meeting**

The Forty Third Annual General Meeting of the Company is scheduled to be held on Monday, 30<sup>th</sup> July, 2007 at TC-79/4, Veli, Thiruvananthapuram, Kerala at 11.30 a.m. inter-alia, to consider and adopt the Annual Accounts for the year ended 31<sup>st</sup> March, 2007.

**9.4 Financial Calendar**

The financial year – 1<sup>st</sup> April to 31<sup>st</sup> March

**Announcement of financial results**

For year ended 31<sup>st</sup> March, 2007 on 26-06-2007.

## ENGLISH INDIAN CLAYS LIMITED

The Board of Directors have recommended Dividend @ 70% on 4468979 Equity Shares of Rs.10/- each and 5% on (5% interim dividend is already paid) 10% 10,00,000 Cumulative Redeemable Preference Shares of Rs.100/- each and 5.5% on (5.5% interim dividend is already paid) 11% 20,00,000 Cumulative Redeemable Preference Shares of Rs.100/- each respectively for the year ended 31<sup>st</sup> March, 2007.

The quarterly/half yearly results for the financial year 2007-08 will be announced as follows:-

First Quarter ending 30<sup>th</sup> June, 2007 at end July, 2007

Half yearly ending 30<sup>th</sup> September, 2007 at end October, 2007.

Third Quarter ending 31<sup>st</sup> December, 2007 at end January, 2008.

Annual audited results by end June, 2008.

### 9.5 BOOK CLOSURE

The Register of Members and Share Transfer Books will remain closed from 26-07-2007 to 30-07-2007 (both days inclusive).

### 9.6 LISTING ON STOCK EXCHANGE & SHARE CODE NO.

The Shares of the Company are listed on the Bombay Stock Exchange Ltd. as per details given below:-

Name	Address	Stock Code
Bombay Stock Exchange Ltd.	Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001	526560

### 9.7 MARKET PRICE DATA – The Stock Exchange Mumbai

MONTH	HIGHEST (Rs.) OF THE MONTH	LOWEST (Rs.) OF THE MONTH
April, 2006	574.95	485.00
May, 2006	532.00	406.00
June, 2006	405.00	307.50
July, 2006	444.65	332.55
August, 2006	498.80	399.00
September, 2006	519.00	431.00
October, 2006	515.00	443.50
November, 2006	480.00	362.00
December, 2006	532.95	361.05
January, 2007	490.00	405.00
February, 2007	493.50	404.00
March, 2007	492.95	350.00

**9.8 REGISTRAR AND SHARE TRANSFER AGENT**

RCMC Share Registry Pvt. Ltd.  
 B-106, Sector -2, Noida 201 301  
 U.P.  
 Phone : 0120-4015880 Fax : 0120-4015839  
 Email : rcmc@dimensioni.net

**9.9 SHARE TRANSFER SYSTEM**

Share lodged in physical form for transfer, are usually transferred within 15 days, if the documents are clear in all aspects. Requests received for dematerialization of shares are processed and the confirmation is given by the Registrar & Transfer Agent to the Depositories within 15 days.

**9.10 DISTRIBUTION OF EQUITY SHAREHOLDING PATTERN AS ON MARCH 31, 2007**

CATEGORY	NO. OF SHARES OF Rs. 10/- EACH	PERCENTAGE
Promoters	3760768	84.16
Indian Institutional Investors	0	0
Other Bodies Corporate	269372	6.02
Foreign Institutional Investors	298998	6.69
NRIs/OCBs	3387	0.08
Mutual Funds	0	0
General Public	111034	2.48
Directors & Relatives	25420	0.57
<b>TOTAL</b>	<b>4468979</b>	<b>100.00</b>

**9.11 DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH, 2007**

Shareholding of Nominal value (Rs.)	No. of Shareholders	Percentage	No. of Shares	Percentage
Upto 5000	524	92.42	37120	0.83
5001-10000	9	1.59	7232	0.16
10001-20000	12	2.11	19247	0.43
20001-30000	3	0.53	9000	0.20
30001-40000	1	0.18	3110	0.07
40001-50000	2	0.35	9798	0.22
50001-100000	5	0.88	36000	0.81
100001 & above	11	1.94	4347472	97.28
<b>TOTAL</b>	<b>567</b>	<b>100</b>	<b>4468979</b>	<b>100.00</b>

## ENGLISH INDIAN CLAYS LIMITED

### 9.12 DEMATERIALISATION OF SHARES

The Equity Shares of the Company can be traded on the Stock Exchange only in dematerialized form.

The ISIN Number allotted to Equity Shares is INE 267F01016.

As on March 31, 2007 39,63,999 being 88.70% of the total Equity Shares Capital are in dematerialized form with NSDL/CDSL.

### 9.13 PLANT LOCATIONS

UNIT	ADDRESS
Clay Unit	TC-79/4, Veli, Thiruvananthapuram – 695 021, KERALA
Corn Wet Milling Unit	Radaur Road, P.O. Yamunanagar 135 001, HARYANA
Bio-Polymer Unit	Kalitheerthalkuppam, Madagadipet Post, Mannadipet Commune, 605 107, PUDDICHERRY

### 9.14 ADDRESS FOR CORRESPONDENCE

English Indian Clays Ltd.  
TC-79/4, Veli, Thiruvananthapuram – 695 021, KERALA  
Phone : (0471) 741133, 741833, Fax : (0471) 742233  
Email : rishikeshk@eicl.in

English Indian Clays Ltd.  
Global Business Park, 801-803, Tower-B,  
M.G. Road, Gurgaon – 122 001, Haryana  
Phone : (0124) 280 3379-83 Fax : (0124) 280 3372 Email : sect@eicl.in

### 10. NON MANDATORY REQUIREMENT

The Company has provided and maintained a Chairman's Office with requisite facilities, for use by its Non-Executive Chairman, at the Company's expense. The Company also reimburse all expenses incurred in his furthering the Company's business interest.

Place : Gurgaon  
Date : 26-06-2007

For & on behalf of the Board  
Sd/-  
KARAN THAPAR  
Chairman

The Board of Directors  
English Indian Clays Ltd.

ANNEXURE I

### CEO AND CFO CERTIFICATION

We, D. Kohli, Managing Director and S.K. Jain, Vice President (Corporate Finance & Accounts), responsible for the finance function certify that :

- a) We have reviewed the financial statements and cash flow statement for the year ended 31<sup>st</sup> March, 2007 and to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31<sup>st</sup> March, 2007 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company for such reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies, if any, in the design or operation of such internal controls, of which we are aware, and the steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system with respect to financial reporting.

Place : Gurgaon  
Date: 26-06-2007

Sd/-  
D. KOHLI  
Managing Director

Sd/-  
S.K. JAIN  
Vice President (Corpt. F&A)

### AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

#### TO THE MEMBERS OF ENGLISH INDIAN CLAYS LIMITED

We have examined the compliance of conditions of Corporate Governance by English Indian Clays Limited (the Company) for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the matters stated below, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement in all material aspects.

*The Company has during the year carried out Business Risk Assessment Study at all the manufacturing units and is in the process of establishing minimization procedures and mitigating controls.*

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Sd/-  
U. Rajeev  
Partner  
Membership No.-F087191  
For and on behalf of  
Price Waterhouse  
Chartered Accountants

New Delhi, 26<sup>th</sup> June, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### I. OVERALL VIEW

1. The business environment for both the Clay and Starch businesses were good, and the Company continued to improve its performance on almost every parameter like productivity, product mix, quality, exports etc.

The Company registered a growth of 22% in Turnover and 26% in EBIDTA from operating businesses. The Turnover for F.Y. 2006-07 was Rs.253 crores and EBIDTA from operations Rs.42 crores.

2. R&D continued to play a key role in driving the business forward through new product development and giving application support to customers. Some of the key areas R&D worked / is working on are:

#### For Starch:

- i. Substitution of Tapioca starch with Maize and Rice Starch.
- ii. Dry process for Oxidised Starch
- iii. Cold Water Soluble Adhesive formulations.

#### For Clay:

- i. Surface Modified Calcined Clays
- ii. Titanium Treated Clays
- iii. Nano Clays
- iv. Clay Based Catalyst

3. The thrust on exports continued with a growth of 61%.
4. A 2 megawatt Co-Gen Plant is being put up at Yamunanagar, which is scheduled for commissioning by Dec'07. This will help the Yamunanagar Unit to have uninterrupted power supply and also bring down variable cost through reduction in steam / power cost.
5. The Company switched to SAP ERP w.e.f. 1 March 2007. All operating units went on line simultaneously on midnight of 28 Feb'07.

### II SEGMENT-WISE BUSINESS PERFORMANCE

	2006-07 (Rs. in crores)			2005-06 (Rs. in crores)		
	CLAY	STARCH	TOTAL	CLAY	STARCH	TOTAL
Turnover	116.52	136.07	252.59	92.79	114.64	207.43
EBIDTA	32.70	11.53	44.23	28.21	6.94	35.15
EBIT	28.37	8.29	36.66	23.96	3.89	27.85

In addition to the above, during the current financial year the Company's investments gave an EBIT of Rs. 2.66 crores as against Rs. 8.10 Crores in the previous year.

The cash un-allocable expenses for the year were Rs. 2.08 Crores as against Rs. 1.64 Crores in the previous year.

**III CLAY**

The Clay business registered a growth of 26% in Turnover and 16% in cash operating profit. The operating profit margins were impacted by lower contributions in exports.

1. The Business Strategy was towards pushing growth at the top end of the value chain in both Calcined and Hydrous Clay. Calcined Clay showed a volume growth of 50% and top end Hydrous Clay (Supercoat) 49%.
2. R&D continued to be the strength of the Division with development of new products like Himasheen and Supersheen for the Paint Industry. The R&D also gave strong application support to customers and process support to the Division's operations.
3. The turnover in Exports showed a growth of 37%.
4. The completion of Phase II of the Sand Treatment Project was delayed till Nov 2006. The sand generated is being commercially sold.

**IV STARCH**

The Starch Operations comprising of Yamunanagar and Pondicherry Units registered a growth of 19% in turnover and 67% in cash operating profit during the year through better capacity utilization, sales realization and raw material planning.

**a) Yamunanagar Unit**

1. This was a good year for the Unit. The Unit registered a growth of 20% in sales turnover and 115% in EBIDTA as compared to previous year.
2. Plant grinding capacity was increased to 170 TPD.
3. The product-wise break-up of sales was as follows:

<b>PRODUCT</b>	<b>% OF SALES</b>
Starches	66
Syrups	29
Refined Oil	5

4. The business strategy was on value addition through modified starches and sale to Corporate customers. This was fully supported by a strong operations and technical team.

**b) Pondicherry Unit**

1. The Pondicherry Unit registered a growth of 14% in sales turnover and 18% in EBIDTA as compared to the previous year.
2. There was continued focus on value added and diversification of products. The new products performed well in the market.
3. The textile industry accounted for 70% of the Division's sales turnover.

**V INVESTMENTS**

1. The income from investments was Rs. 2.66 Crores as against Rs. 8.10 Crores in the previous year.
2. The Company is proposing to de-merge the Investments Division. This will enable the Company to focus on its core business of manufacturing.

**VI INTERNAL CONTROL SYSTEMS**

1. The Company has a well defined organization structure, documented policy guidelines, pre-defined authority levels, and an extensive system of internal controls to ensure optimal utilization and protection of resources, accurate reporting of financial transactions and compliance with applicable laws and regulations.
2. The internal audit system is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements.
3. The top management and the Audit Committee of the Board review the findings and recommendations of the internal audit panel.
4. The Company also has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget on an on going basis.
5. The IT systems have been upgraded and mySAP ERP 2005 has been implemented by the Company. This serves as a server platform for the authenticity of data and management reporting to further strengthen the Internal Control Systems and Procedures.

**VII HUMAN RESOURCES**

1. The thrust across the Company was on inculcating professionalism and teamwork.
2. There was special focus on Industrial Relations to maintain and improve management union relations with the objective of right sizing the operations and to sustain a motivated and dedicated work force.
3. All three divisions were certified for ISO 9001:2000 compliance, and are now preparing for ISO 14000 Certification.

**VIII CORPORATE SOCIAL RESPONSIBILITY AND CONSERVATION OF WATER RESOURCES**

1. The Company continued to pursue its agenda on social responsibility during the year. Water was provided round the year to neighbouring villages around the Thonnakkal Mines through pipe lines, and through water tankers.
2. The Rain Water Harvesting scheme worked efficiently and the water stored in the reservoir was shared with surrounding villages.

**IX RISKS, CONCERNS AND OUTLOOK**

A risk audit of the Company has been conducted.

The risk in the Clay Business is primarily the volatility in the fuel prices, since the business is energy intensive. Any abnormal increase in prices of petroleum products could adversely impact the business.

The Starch Businesses could be impacted when the two new 1000 TPD Cornwet Milling facilities come up in North India later this year. The Unit though has its own strategies to counter any threats.

Overall however the Company should continue on its path of growth in both the businesses and the outlook for F.Y. 2007-08 looks positive and optimistic.

**X STATEMENT OF CAUTION**

Representations and statements made under 'Management Discussions and Analysis' is based on the projection and expectation on the basis of the present market conditions. Actual results may materially differ due to several factors which could influence the Company's business operations such as demand and supply conditions, prices of input, changes in Government levies and regulations, industrial relations and other economic developments in the country.

**AUDITORS' REPORT  
TO THE MEMBERS OF ENGLISH INDIAN CLAYS LIMITED**

1. We have audited the attached Balance Sheet of English Indian Clays Limited, as at March 31, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - (i)
    - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
    - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
  - (ii)
    - (a) The inventory excluding stocks with consignee agents aggregating Rs. 7,702,380, has been physically verified by the management during the year/at the year end. In respect of inventory lying with consignee agents, these have substantially been sold / returned subsequent to the year end. In our opinion, the frequency of verification is reasonable.
    - (b) In our opinion, the procedures of physical verification of inventory followed by the management so as to be commensurate with the size of the Company and the nature of its business.
    - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms, or other parties covered in the register maintained under Section 301 of the Act. Accordingly clauses (b), (c) and (d) are not applicable on the Company.
- (e) The Company has taken unsecured loans from 2 companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 55,000,000 and Rs. Nil respectively.
- (f) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
- (g) In respect of the aforesaid loans, the company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods *except for certain general information technology controls which are being further strengthened*. There are no sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) As represented by the management, the Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

**ENGLISH INDIAN CLAYS LIMITED**

- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2007 which have not been deposited on account of a dispute are as follows:

S.No.	Name of Statute	Nature of Dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
1	Kerala Sales Tax Act & Central Sales Tax Act	Rate of Interest Levied	329,291	86-87	DC Appeals
2	Kerala Sales Tax Act & Central Sales Tax Act	For Modification of the order according to the Tribunal Order	241,863	87-88	The Assistant Commissioner, Appeals.
3	Kerala Sales Tax Act & Central Sales Tax Act	For Modification of the order according to the Tribunal Order	236,873	88-89	The Assistant Commissioner, Appeals.
4	Kerala Sales Tax Act & Central Sales Tax Act	In Lieu of form 18	17,008	90-91	The Assistant Commissioner, Appeals.
5	Kerala Sales Tax Act & Central Sales Tax Act	Rate of Interest Levied	600,702	91-92	The High Court, Ernakulam
6	Kerala Sales Tax Act & Central Sales Tax Act	Rate of Interest Levied	113,912	92-93	The High Court (CST), and The Assistant Commissioner, (KGST)
7	Kerala Sales Tax Act & Central Sales Tax Act	Rate of Interest Levied	22,872	93-94	The High Court, Ernakulam
8	Kerala Sales Tax Act & Central Sales Tax Act	Rate of Interest Levied	91,962	95-96	The Appellate Tribunal -KGST

ENGLISH INDIAN CLAYS LIMITED

S.No.	Name of Statute	Nature of Dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
9	Kerala Sales Tax Act & Central Sales Tax Act	Form - C - Interest, KGST-Form 18 Royalty and Surcharge & Interest	1, 890,950	98-99	DC Appeals (Kollam) CST DC Appeals (Kollam) KGST
10	Kerala Sales Tax Act & Central Sales Tax Act	KGST - Royalty Sales return of the previous year.	61,050	00-01	Rectification against earlier appeal filed before DC Appeals
11	Kerala General Sales Tax Act, 1963	Entry Tax on Superior Kerosene Oil	15,133,588*	2002	Supreme Court of India
12	Customs Act, 1962	Custom duty and penalty on purchase under EPGC Scheme	2,499,187	2003	Appellate Tribunal
13	Income Tax Act, 1961	Disallowances of Interest Expenses	Refer Note No. 3 on Schedule 25A	2001-02	The High Court. Kolkata
14	Income Tax Act, 1961	Disallowances of adjustment of brought forward losses	48,118,116 #	2003-04	CIT Appeals, Cochin
15	Central Excise Act, 1944	Misclassification of Maize Starch (Demand + Penalty)	63,494,596 ##	01.04.1997 to 18.12.2001	CESTAT, Delhi
16	Central Excise Act, 1944	Modvat Claimed on Lubricants & Transformer Oil (Demand + Penalty)	54,905,706	2000 to 2004	CESTAT, Delhi
17	Central Excise Act, 1944	Modvat Claimed on Lubricants & Transformer Oil (Demand + Penalty)	52,464,028**	2000 to 2004	CESTAT, Delhi
18	Central Excise Act, 1944	Service Tax claimed on Inputs (Demand + Penalty)	45,396,100***	01.12.2004 to 31.08.2005	CESTAT, Delhi

\* represents amount paid under protest  
# includes Rs. 25,000,000, paid under protest to the department.  
## includes Rs. 507,000, paid under protest to the department.  
\*\* includes Rs. 1,241,379, paid under protest to the department.  
\*\*\*includes Rs. 2,226,695, paid under protest to the department.

## ENGLISH INDIAN CLAYS LIMITED

- (x) The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
  - (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
  - (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
  - (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
  - (xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  - (xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  - (xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
  - (xviii) The Company has made preferential allotment of preference shares to a Company covered in the register maintained under Section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
  - (xix) The Company has not issued any debentures during the year.
  - (xx) The Company has not raised any money by public issues during the year.
  - (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31,2007;
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Sd/-

**U. Rajeev**

Partner

Membership No. F-087191

For and on behalf of

Price Waterhouse

Chartered Accountants

Gurgaon  
June 26, 2007

**ENGLISH INDIAN CLAYS LIMITED**

**BALANCE SHEET AS AT 31.03.2007**

	SCHEDULE	AS AT 31.3.2007 Rs.	AS AT 31.3.2006 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
SHARE CAPITAL	1	344,689,790	144,689,790
RESERVES & SURPLUS	2	931,148,274	836,478,298
		<b>1,275,838,064</b>	<b>981,168,088</b>
<b>DEFERRED GOVERNMENT GRANTS</b>			
LOAN FUNDS		<b>643,833</b>	<b>810,429</b>
SECURED LOANS	3	833,281,138	902,219,302
UNSECURED LOANS	4	106,155,264	120,453,184
		<b>939,436,402</b>	<b>1,022,672,486</b>
<b>DEFERRED TAX LIABILITY (NET)</b>		<b>135,218,077</b>	<b>131,313,798</b>
(Refer Note 13 on Schedule 24 and Note 6 on Schedule 25A)			
		<b>2,351,136,376</b>	<b>2,135,964,801</b>
<b>II APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
GROSS BLOCK	5	1,954,947,942	1,782,292,125
Less : ACCUMULATED DEPRECIATION		438,513,788	361,367,327
NET BLOCK		<b>1,516,434,154</b>	<b>1,420,924,798</b>
CAPITAL WORK IN PROGRESS		<b>56,167,968</b>	<b>23,897,203</b>
<b>INVESTMENTS</b>			
	6	<b>455,480,453</b>	<b>178,557,992</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
INVENTORIES	7	350,290,670	241,528,286
SUNDRY DEBTORS	8	271,087,409	198,759,080
CASH & BANK BALANCES	9	57,919,017	142,313,585
OTHER CURRENT ASSETS	10	921,711	4,741,842
LOANS & ADVANCES	11	113,821,050	256,052,019
		<b>794,039,857</b>	<b>843,394,812</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
CURRENT LIABILITIES	12	314,021,169	215,391,584
PROVISIONS	13	156,964,887	115,948,420
		<b>470,986,056</b>	<b>331,340,004</b>
<b>NET CURRENT ASSETS</b>		<b>323,053,801</b>	<b>512,054,808</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off)	14		530,000
		<b>2,351,136,376</b>	<b>2,135,964,801</b>
<b>STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES</b>	24		
<b>NOTES TO THE ACCOUNTS</b>	25		

This is the Balance Sheet referred to in our report of even date.

The schedules referred to above form an integral part of the Balance Sheet.

Sd/-  
U. Rajeev  
Partner  
Membership No. F-087191  
For & on behalf of  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS

Sd/-  
S. K. Jain  
Vice President  
Corporate Finance,  
Accounts & Administration

Sd/-  
P. S. Saini  
Company Secretary  
& Head Corporate Legal

Sd/-  
D. Kohli  
Managing Director

Sd/-  
Karan Thapar  
Chairman

Gurgaon, June 26, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.3.2007**

	SCHEDULE	YEAR ENDED 31.3.2007 Rs.	YEAR ENDED 31.3.2006 Rs.
<b>INCOME</b>			
GROSS SALES	15	2,525,923,615	2,074,292,133
Less : EXCISE DUTY		125,739,827	114,186,225
		<b>2,400,183,788</b>	<b>1,960,105,908</b>
OTHER INCOME	16	33,138,502	94,458,210
INCREASE/(DECREASE) IN STOCKS	17	5,830,290	6,637,543
		<b>2,439,152,580</b>	<b>2,061,201,661</b>
<b>EXPENDITURE</b>			
MANUFACTURING AND MINING EXPENSES	18	1,549,766,893	1,254,839,422
PAYMENT TO AND PROVISIONS FOR EMPLOYEES	19	202,930,391	163,159,012
ADMINISTRATION & OTHER EXPENSES	20	110,666,152	111,453,845
SELLING & DISTRIBUTION EXPENSES	21	116,594,715	108,060,684
RESEARCH & DEVELOPMENT EXPENSES	22	8,377,654	7,925,264
		<b>1,988,335,805</b>	<b>1,645,438,227</b>
<b>PROFIT BEFORE INTEREST, DEPRECIATION/AMORTISATION, AND TAX</b>		<b>450,816,775</b>	<b>415,763,434</b>
INTEREST (NET)	23	91,566,694	95,818,449
<b>PROFIT BEFORE DEPRECIATION/AMORTISATION AND TAX</b>		<b>359,250,081</b>	<b>319,944,985</b>
DEPRICIATION/AMORTISATION	5	78,373,426	75,066,137
<b>PROFIT BEFORE TAX</b>		<b>280,876,655</b>	<b>244,878,848</b>
<b>TAX EXPENSE</b>			
(Refer Note 13 on Schedule 24 and Note 6 on Schedule 25A)			
Current Year		80,700,000	54,000,000
Prior Years		722,595	2,440,363
Deferred Tax		16,014,587	8,206,041
Fringe Benefit Tax		2,200,000	3,600,000
<b>PROFIT AFTER TAX</b>		<b>181,239,473</b>	<b>176,632,444</b>
BALANCE AS PER LAST YEAR		54,719,426	40,447,015
<b>AVAILABLE FOR APPROPRIATION</b>		<b>235,958,899</b>	<b>217,079,459</b>
<b>APPROPRIATIONS</b>			
INTERIM DIVIDEND			
- PREFERENCE SHARES		11,298,630	5,000,000
PROPOSED DIVIDEND			
- PREFERENCE SHARES		11,298,630	5,000,000
- EQUITY SHARES		31,282,853	44,689,790
CORPORATE DIVIDEND TAX		8,821,356	7,670,243
GENERAL RESERVE		100,000,000	100,000,000
BALANCE CARRIED TO BALANCE SHEET		73,257,430	54,719,426
		<b>235,958,899</b>	<b>217,079,459</b>
<b>EARNINGS PER SHARE (Rs.)</b>			
(Refer Note 15 on Schedule 24 and not 5 on Schedule 25A)			
- BASIC		34.71	36.97
- DILUTED		12.10	8.94

**STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES  
NOTES TO THE ACCOUNTS**

24  
25

This is the Profit & Loss Account referred to  
in our report of even date.

The schedules referred to above form an  
integral part of the Profit & Loss Account

Sd/-  
U. Rajeev  
Partner  
Membership No. F-087191  
For & on behalf of  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS

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Vice President  
Corporate Finance,  
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P. S. Saini  
Company Secretary  
& Head Corporate Legal

Sd/-  
D. Kohli  
Managing Director

Sd/-  
Karan Thapar  
Chairman

Gurgaon, June 26, 2007

**ENGLISH INDIAN CLAYS LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.3.2007**

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>A. Cash flow from operating activities:</b>		
Net profit before tax	280,876,655	244,878,848
Adjustments for:		
Depreciation	78,373,426	75,066,137
Interest Expense	94,689,414	106,233,070
Interest Income	(3,122,720)	(7,976,006)
(Profit)/Loss on Sale of Investment (Net)	-	(42,767,257)
Dividends	(26,596,557)	(38,251,050)
Unrealised Exchange Fluctuation	1,959,536	(2,052,129)
(Profit)/Loss on Sale of Fixed Assets (Net)	94,888	3,778,532
Debts / Advances Written off	1,166,942	6,243,873
Provision for Bad & Doubtful Debts/Advances	2,315,860	11,126,307
Miscellaneous Expenditure written off	530,000	530,000
Liability no longer required written back	(232,043)	(5,105,987)
Provision for Gratuity & Leave Encashment	6,461,325	3,252,216
Government grant	(166,596)	(166,596)
<b>Operating profit before working capital changes</b>	<b>436,350,130</b>	<b>354,789,958</b>
<b>Adjustments for changes in working capital :</b>		
- (INCREASE)/DECREASE in Sundry Debtors	(76,456,578)	(34,226,270)
- (INCREASE)/DECREASE in Other Receivables	(9,845,683)	5,107,892
- (INCREASE)/DECREASE in Inventories	(108,762,384)	(20,606,942)
- INCREASE/(DECREASE) in Trade and Other Payables	100,347,433	(3,621,974)
<b>Cash generated from operations</b>	<b>341,632,918</b>	<b>301,442,664</b>
- Taxes (Paid) / Received (Net of TDS)	(102,877,976)	(36,743,362)
<b>Net cash from operating activities</b>	<b>238,754,942</b>	<b>264,699,302</b>
<b>B. Cash flow from Investing activities:</b>		
Additions to fixed assets and capital work in progress	(220,201,090)	(143,761,776)
Proceeds from Sale of fixed assets	905,032	2,188,596
Proceeds from Sale of Investments	-	486,495,000
Purchase of investments	(276,922,461)	(178,546,175)
Loans to Companies (Net)	190,000,000	(190,000,000)
Deposits with bank (Net)	86,134,518	(82,964,131)
Interest Received	6,415,615	980,722
Dividend Received	26,596,557	68,456,968
<b>Net cash used in investing activities</b>	<b>(187,071,829)</b>	<b>(37,150,796)</b>

**ENGLISH INDIAN CLAYS LIMITED**

**C. Cash flow from financing activities:**

Proceeds from share capital	200,000,000	-
Proceeds from long term borrowings		
RECEIPTS	200,000,000	200,000,000
PAYMENTS (excludes exchange fluctuation Rs 2,150,088; 2005-06 : Rs 2,197,139)	(262,697,657)	(277,526,216)
Proceeds from short term borrowings (Net)	(2,496,501)	708,715
Proceeds from fixed deposits (Net)	(11,934,285)	(10,095,500)
Proceeds from Cash Credits (Net)	(6,421,814)	21,513,464
Interest Paid (includes exchange fluctuation Rs 2,150,088; 2005-06 : Rs 2,197,139)	(98,226,265)	(106,038,081)
Income from foreign currency contracts	-	1,740,776
Dividend Paid	(59,613,015)	(43,490,888)
Dividend Tax Paid	(8,553,626)	(6,103,307)
<b>Net cash used in financing activities</b>	<b>(49,943,163)</b>	<b>(219,291,037)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>1,739,950</b>	<b>8,257,469</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>39,532,085</b>	<b>31,274,616</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>41,272,035</b>	<b>39,532,085</b>
<b>Cash and cash equivalents comprise</b>		
Cash, Cheques & Drafts (in hand)	939,948	5,640,242
Savings Account with Post Office	272	272
Balance with Scheduled Banks in Current Accounts	40,331,815	33,891,571
	<b>41,272,035</b>	<b>39,532,085</b>

**Notes :**

- 1 The above Cash flow statement has been prepared pursuant to clause 32 of the listing agreement with stock exchange and under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- 2 Figures in brackets indicate cash outgo.
- 3 Cash and cash equivalents at the end of the year include Rs. 1,596,693 (2005-06 : Rs.248,180) held in dividend accounts with scheduled banks.
- 4 The significant accounting policies (Schedule 24) and notes to the accounts (Schedule 25) forms an integral part of the Cash Flow Statement.
- 5 Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.

**This is the Cash Flow Statement referred to in our report of even date.**

**Sd/-**  
**U. Rajeev**  
Partner  
Membership No. F-087191  
For & on behalf of  
PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS

**Sd/-**  
**S. K. Jain**  
Vice President  
Corporate Finance,  
Accounts & Administration

**Sd/-**  
**P. S. Saini**  
Company Secretary  
& Head Corporate Legal

**Sd/-**  
**D. Kohli**  
Managing Director

**Sd/-**  
**Karan Thapar**  
Chairman

**Gurgaon, June 26, 2007**

**ENGLISH INDIAN CLAYS LIMITED**

	<b>AS AT 31.3.2007 Rs.</b>	<b>AS AT 31.3.2006 Rs.</b>
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
8,000,000 (2005-06 : 8,000,000) Equity Shares of Rs. 10/- each	80,000,000	80,000,000
3,000,000 (2005-06 : 1,000,000) Preference shares of Rs. 100/- each	300,000,000	100,000,000
	<b>380,000,000</b>	<b>180,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
4,468,979 (2005-06 : 4,468,979) Equity Shares of Rs. 10/- each fully paid up	44,689,790	44,689,790
1,000,000 (2005-06 : 1,000,000) 10% Redeemable Preference shares of Rs. 100/- each fully paid up	100,000,000	100,000,000
2,000,000 (2005-06 : NIL) 11% Redeemable Preference Shares of Rs 100/- each fully paid up	200,000,000	-
	<b>344,689,790</b>	<b>144,689,790</b>
<b>Notes : Of the above :</b>		
1. 150,000 (2005-06 : 150,000) Equity shares of Rs. 10/- each were allotted as fully paid up shares pursuant to a contract without payments being received in cash.		
2. 1,510,450 (2005-06 : 1,510,450) Equity shares of Rs. 10/- each were allotted as fully paid up by way of Bonus Shares by utilising Share Premium Account.		
3. 800,000 (2005-06 : 800,000) Equity shares of Rs. 10/- each were allotted on conversion of partly convertible Debentures.		
4. 528,079 (2005-06 : 528,079) Equity shares of Rs. 10/- each were allotted at par as fully paid up to the shareholders of erstwhile Bharat Starch Industries Limited and 120,000 Equity shares allotted to a creditor as fully paid up at a premium of Rs. 40/- per share pursuant to the scheme of re-organisation by way of arrangement, amalgamation and reconstruction.		
5. 10% Redeemable Preference shares shall be redeemed at par at the option of the company not earlier than 3 years but not later than 5 years from the date of allotment i.e. 25.03.2004.		
6. 11% Redeemable Preference shares shall be redeemed at par at the option of the Company not earlier than 18 months but not later than 5 years from the date of allotment i.e. 04.09.2006.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>	<b>754,423</b>	<b>754,423</b>
<b>SHARE PREMIUM ACCOUNT</b> (Refer Note 4 on schedule 1 above)	91,956,750	91,956,750
<b>GENERAL RESERVE</b>		
Balance as per last year	689,047,699,	589,047,699
Additions during the year	100,000,000	100,000,000
Adjustment for Provision for Retirement Benefits (Net of Tax / Deferred tax)	(23,868,028)	-
Balance at the end of the year	765,179,671	689,047,699
<b>PROFIT &amp; LOSS ACCOUNT</b>	73,257,430	54,719,426
	<b>931,148,274</b>	<b>836,478,298</b>

**ENGLISH INDIAN CLAYS LIMITED**

	<b>AS AT 31.3.2007 Rs.</b>	<b>AS AT 31.3.2006 Rs.</b>
<b>SCHEDULE 3 : SECURED LOANS</b>		
(Refer Note 8 & 12 on Schedule 24)		
<b>LOANS FROM BANKS/FINANCIAL INSTITUTIONS</b>		
- CASH CREDIT ACCOUNT WITH SCHEDULED BANKS	83,193,491	89,615,305
- WORKING CAPITAL DEMAND LOANS	125,000,000	125,000,000
- RUPEE TERM LOANS**	579,176,767	593,611,099
- FOREIGN CURRENCY TERM LOANS	45,326,875	93,590,200
INTEREST ACCRUED & DUE*	584,005	402,698
	<b>833,281,138</b>	<b>902,219,302</b>
* Amount realised by bank by April 10, 2007		
**Includes Rs.60,000,000 (2005-06 : Rs. 80,000,000) due to a financial institution.		
1. Cash Credit and Working Demand Loans alongwith guarantees and letters of credit facilities given by the Banks are secured by Hypothecation of Finished Goods, Semi-Finished Goods, Consumable Stores and spares, Raw Material, Investments and Book Debts at Yamunanagar, Pondicherry & Thiruvananthapuram factories and second pari passu charge on block of assets of the Company.		
2. Term Loans from banks/Financial Institutions (other than those mentioned in note 3 below) are secured by an equitable mortgage of all immovable properties of the Company, both present and future and are also secured by way of hypothecation of the Company's movable properties including movable Plant and Machinery, Machinery Spares, Tools and Accessories and other movables both present and future (save and except bookdebts) subject to prior charges created in favour of the Company's bankers on stocks of raw materials, consumable stores, finished goods etc. for working capital facilities.		
The above charges rank pari passu with charges created/to be created by the company in favour of other term lending banks.		
3. Rupee Term loans from banks aggregating Rs. Nil (2005-06 : Rs. 20,000,000) are secured by pledge of shares held by the Company.		
4. The amount falling due for repayment within a year (excluding cash credit and working capital demand loans) is Rs. 232,695,542 (2005-06 : Rs. 261,323,136).		
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
(Refer Note 12 on Schedule 24)		
FIXED DEPOSITS (Refer Notes below)	100,451,000	112,385,285
INTEREST ACCRUED AND DUE	108,583	131,828
OTHER LOANS & ADVANCES	5,328,164	7,824,665
- FROM OTHERS		
INTEREST ACCRUED AND DUE	267,517	111,406
	<b>106,155,264</b>	<b>120,453,184</b>
<b>Notes :</b>		
1 Fixed deposits held by Directors	5,115,000	6,015,000
2 Fixed Deposits repayable within one year	78,059,000	65,283,000

**SCHEDULE 5 : FIXED ASSETS**

(Refer Note 2 & 3 on Schedule 24)

	Opening Balance		Gross Block		Total		Upto 31.3.2006		Depreciation For the year		Upto 31.3.2007		Net Block	
	Rs		Rs		Rs		Rs		Rs		Rs		Rs	
<b>TANGIBLE ASSETS</b>														
LAND & SITE DEVELOPMENT														
Leasehold	15,040		-	15,040	15,040		15,040		-		15,040		-	
Freehold	491,738,454	23,335,097	-	515,073,551	21,293		21,293		-		21,293		515,052,258	491,717,161
FACTORY & OTHER BUILDINGS	218,544,776	8,574,549	-	227,119,325	35,775,697		35,775,697		5,301,200		41,076,897		186,042,428	182,769,079
PLANT & MACHINERY	953,788,860	117,608,541	1,029,038	1,070,368,363	273,836,822		273,836,822		60,923,575		474,452,334,285,945		736,082,418	679,952,038
FURNITURE, FIXTURES & OFFICE EQUIPMENT	29,132,894	10,107,897	659,204	38,581,587	12,536,270		12,536,270		3,116,577		431,494		23,360,234	16,596,624
VEHICLES & CYCLES	21,953,630	378,218	538,643	21,793,205	5,622,972		5,622,972		2,051,279		321,019		14,439,973	16,330,658
<b>INTANGIBLE ASSETS</b>														
TECHNICAL KNOW-HOW/BRAND	67,118,471		-	67,118,471	33,559,233		33,559,233		6,711,847		40,271,080		26,847,391	33,559,238
COMPUTER SOFTWARE		14,878,400		14,878,400					268,948		268,948		14,609,452	
<b>TOTAL</b>	<b>1,782,292,125</b>	<b>174,882,702</b>	<b>2,226,885</b>	<b>1,954,947,942</b>	<b>361,367,327</b>		<b>361,367,327</b>		<b>78,373,426</b>		<b>438,513,788</b>		<b>1,516,434,154</b>	<b>1,420,924,798</b>
PREVIOUS YEAR	1,653,863,359	142,256,473	13,827,707	1,782,292,125	294,161,769		294,161,769		75,066,137		361,367,327		1,420,924,798	
CAPITAL WORK IN PROGRESS (including capital advances Rs. 18,510,464 (2005-06 : Rs. 5,787,116))													56,167,968	23,897,203

**Notes:**

- Freehold Land includes Rs. 21,022,000 (2005-06 : Rs. 21,022,000) being cost / value of freehold land for which the deed of conveyance is yet to be registered in the name of the Company.
- Land, buildings and vehicles aggregating to Rs. 145,026,792 (2005-06 : 145,026,792) acquired under the scheme of re-organisation are yet to be transferred in the name of the Company.
- Additions include additions to R & D assets amounting to Rs. 715,527 (Previous year: Rs. 1,886,800) and depreciation on R & D Assets amounting to Rs. 1,369,818 (2005-06 : Rs. 1,463,281).
- Additions and Capital Work in Progress includes Salaries and Wages capitalised Rs. 2,905,970 (2005-06 : Rs. 1,932,581).
- Plant and Machinery includes certain assets having an aggregate written down value of Rs. Nil (2005-06 : Rs. 400,777) which are not in active use and have been carried at cost, as the Company is in the process of identifying alternative use for the same.
- Furniture, Fixtures & Office Equipment includes Gross Block: Rs. 6,250,000; Accumulated Depreciation : Rs. 3,256,973 and Net Block : Rs. 2,993,027 for leasehold improvements being amortised over a period of lease.
- Opening balances and accumulated depreciation as at 1-04-2006 have been regrouped and re-classified to confirm to the class and nature of assets.



**ENGLISH INDIAN CLAYS LIMITED**

	<b>AS AT 31.3.2007 Rs</b>	<b>AS AT 31.3.2006 Rs</b>
<b>SCHEDULE 7 : INVENTORIES</b>		
(Refer Note 5 on Schedule24)		
<b>RAW MATERIALS</b>	201,511,253	110,680,006
INCLUDES RAW MATERIALS IN TRANSIT Rs. NIL (2005-06 : Rs. 645,368)		
<b>STORES AND SPARES</b>	54,140,613	42,039,766
INCLUDES STORES & SPARES IN TRANSIT Rs. 5,015,034 (2005-06 : Rs. 3,125,467)		
<b>STOCK-IN-PROCESS</b>		
CLAY, STARCH & ALLIED PRODUCTS	29,396,610	8,370,030
RAW MATERIAL IN PROCESS	2,977,558	2,081,046
<b>FINISHED GOODS</b>		
CLAY, STARCH & ALLIED PRODUCTS	61,359,473	74,453,204
BY PRODUCTS & OTHERS	905,163	3,904,234
	<b>350,290,670</b>	<b>241,528,286</b>
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
<b>DEBTS OUTSTANDING FOR OVER SIX MONTHS</b>		
CONSIDERED GOOD, UNLESS OTHERWISE STATED		
- SECURED	195,853	82,073
- UNSECURED	6,901,798	7,230,467
CONSIDERED DOUBTFUL	5,564,924	4,846,813
<b>LESS : PROVISIONS FOR BAD &amp; DOUBTFUL DEBTS*</b>	<b>(5,564,924)</b>	<b>(4,846,813)</b>
<b>OTEHR DEBTS</b>		
CONSIDERED GOOD		
- SECURED	1,891,305	300,999
- UNSECURED	262,098,453	191,145,541
	<b>271,087,409</b>	<b>198,759,080</b>
* Net of Rs. 1,597,749 (2005-06 : Rs 311,272) written off against provisions during the year.		

ENGLISH INDIAN CLAYS LIMITED

	AS AT 31.3.2007 Rs	AS AT 31.3.2006 Rs
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
CASH, CHEQUES & DRAFTS (IN HAND)	939,948	5,640,242
SAVINGS ACCOUNT WITH POST OFFICE (PLEGGED AS SECURITY)	272	272
WITH SCHEDULED BANKS IN:		
CURRENT ACCOUNTS	38,735,122	33,643,391
DIVIDEND ACCOUNT	1,596,693	248,180
DEPOSIT ACCOUNTS*	16,646,982	102,781,500
	<b>57,919,017</b>	<b>142,313,585</b>
* Represents monies held against public deposits and includes Rs. 5,899,459 (2005-06 : Rs. 6,023,600) pledged with banks and Government Authorities.		
<b>SCHEDULE 10 : OTHER CURRENT ASSETS</b>		
UNSECURED-CONSIDERED GOOD		
INTEREST RECOVERABLE - ON DEPOSITS AND LOANS	921,711	4,741,842
	<b>921,711</b>	<b>4,741,842</b>
<b>SCHEDULE 11 : LOANS &amp; ADVANCES</b>		
UNSECURED - CONSIDERED GOOD UNLESS OTHERWISE STATED		
LOAN TO COMPANIES	-	190,000,000
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED*	84,067,93	63,252,536
CONSIDERED DOUBTFUL LESS : PROVISION FOR DOUBTFUL ADVANCES**	15,248,687 (15,248,687)	19,226,687 (19,226,687)
DEPOSIT WITH THE EXCISE AUTHORITIES ON CURRENT ACCOUNT	4,553,057	2,799,483
ADVANCE TAX PAID INCLUDING TAX DEDUCTED AT SOURCE (net) (NET OF PROVISION FOR FRINGE BENEFIT TAX Rs. 2,200,000: 2005-06: Rs. Nil)	25,200,000	
	<b>113,821,050</b>	<b>256,052,019</b>
* Includes Rs. 500,000 paid to Kerala Enviro Infrastructures Limited towards 50,000 shares of Rs. 10/- each fully paid up.		
** Net of Rs. 3,978,000 (2005-06: Rs 1,013,504) written off against provisions during the year.		

**ENGLISH INDIAN CLAYS LIMITED**

	<b>AS AT 31.3.2007 Rs</b>	<b>AS AT 31.3.2006 Rs</b>
<b>SCHEDULE 12 : CURRENT LIABILITIES</b>		
(Refer note 10 on Schedule 25A)		
SUNDRY CREDITORS*		
-TOTAL OUTSTANDING DUES TO SMALL SCALE INDUSTRIAL UNDERTAKINGS**	4,723,567	4,044,219
-TOTAL OUTSTANDING DUES TO UNITS OTHER THAN SMALL SCALE INDUSTRIAL UNDERTAKINGS	280,817,829	182,066,049
ADVANCE FROM CUSTOMERS	970,179	1,817,849
OTHER LIABILITIES	11,890,270	11,654,132
UNCLAIMED DIVIDEND	1,567,171	191,766
UNCLAIMED MATURED PUBLIC DEPOSITS	1,274,000	1,159,000
INTEREST ACCRUED & DUE ON UNPAID MATURED PUBLIC DEPOSITS	278,367	218,649
BOOK OVERDRAFT	856,519	-
INTEREST ACCRUED BUT NOT DUE ON LOANS	11,643,267	14,239,920
	<b>314,021,169</b>	<b>215,391,584</b>
* Includes Rs. 6,512,497 (2205-06 : Rs. 6,836,772) on capital account.		
** As certified by the management.		
<b>SCHEDULE 13 : PROVISIONS</b>		
(Refer Note 7 & 13 on Schedule 24 and Note 10 on Schedule 25A)		
PROVISION FOR TAXATION (Net) (NET OF ADVANCE TAX PAID INCLUDING TAX DEDUCTED AT SOURCE Rs. 134,068,444 ; 2005-06 : Rs. 35,461,468)	25,305,915	18,538,532
PROVISION FOR FRINGE BENEFIT TAX (NET) (NET OF ADVANCE TAX PAID Rs. Nil : 2005-06 : 2,250,000)	-	1,350,000
PROPOSED DIVIDEND (INCLUDING TAX ON DIVIDEND Rs. 7,236,723; 2005-06 : Rs. 6,968,993)	49,818,206	56,658,783
PROVISION FOR GRATUITY & LEAVE ENCASHMENT	81,840,766	39,401,105
	<b>156,964,887</b>	<b>115,948,420</b>

**ENGLISH INDIAN CLAYS LIMITED**

	YEAR ENDED 31.3.2007 Rs	YEAR ENDED 31.3.2006 Rs
<b>SCHEDULE 14 : MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off)		
(Refer Note 6 on Schedule 24)		
ISSUE EXPENSES	530,000	1,060,000
Less : WRITTEN OFF DURING THE YEAR	530,000	530,000
	-	<b>530,000</b>
<b>SCHEDULE 15 : SALES</b>		
(Refer Note 11 on Schedule 24)		
CLAY, STARCH & ALLIED PRODUCTS	2,436,541,927	2,001,925,888
BY PRODUCTS & OTHERS	89,381,688	72,366,245
	<b>2,525,923,615</b>	<b>2,074,292,133</b>
<b>SCHEDULE 16: OTHER INCOME</b>		
(Refer Note 10 and 11 on Schedule 24 and Note 4 on Schedule 25A)		
DIVIDEND ON INVESTMENTS OTHER THAN TRADE	26,596,557	38,251,050
LIABILITIES NO LONGER REQUIRED WRITTEN BACK	232,043	5,105,987
PROFIT ON SALE OF INVESTMENTS	-	42,767,257
EXCHANGE FLUCTUATION (NET)	-	2,462,765
GOVERNMENT GRANTS	166,596	166,596
MISCELLANEOUS INCOME	6,143,306	5,704,555
	<b>33,138,502</b>	<b>94,458,210</b>
<b>SCHEDULE 17 : INCREASE / (DECREASE) IN STOCKS</b>		
<b>OPENING STOCK</b>		
FINISHED GOODS	78,357,438	72,566,046
STOCK IN PROCESS	10,451,076	9,604,925
	<b>88,808,514</b>	<b>82,170,971</b>
<b>CLOSING STOCK</b>		
FINISHED GOODS	62,264,636	78,357,438
STOCK IN PROCESS	32,374,168	10,451,076
	94,368,804	88,808,514
<b>INCREASE / (DECREASE)</b>	<b>5,830,290</b>	<b>6,637,543</b>

**ENGLISH INDIAN CLAYS LIMITED**

	YEAR ENDED 31.3.2007 Rs	YEAR ENDED 31.3.2006 Rs
<b>SCHEDULE 18 : MANUFACTURING AND MINING EXPENSES</b>		
RAW MATERIAL CONSUMED	763,652,540	629,213,385
PURCHASE OF CHINA CLAY	-	667,328
CLAY MINING & PROCESSING EXPENSES*	81,346,492	57,219,612
STORES & SPARES CONSUMED	205,814,672	170,220,018
POWER & FUEL	438,614,850	352,286,025
REPAIRS & MAINTENANCE		
-PLANT & MACHINERY	45,378,178	35,014,879
-BUILDINGS	3,141,810	1,368,052
-OTHERS	4,777,545	4,777,461
INCREASE / (DECREASE) IN EXCISE DUTY ON STOCKS OF FINISHED GOODS	1,115,113	(2,010,988)
ROYALTY	5,925,693	6,083,650
	<b>1,549,766,893</b>	<b>1,254,839,422</b>
* Clay Mining and Processing Expenses include overburden removal transportation of clay matrix, excavator expenses, sand removal expenses and matrix yard expenses.		
<b>SCHEDULE 19: PAYMENT TO AND PROVISIONS FOR EMPLOYEES*</b>		
SALARIES, WAGES, BONUS, GRATUITY & LEAVE ENCASHMENT	179,470,374	140,422,087
CONTRIBUTION TO PROVIDENT FUND, SUPERANNUATION FUND AND OTHER FUNDS	13,004,520	12,241,335
WORKMEN AND STAFF WELFARE EXPENSES	10,455,497	10,495,590
	<b>202,930,391</b>	<b>163,159,012</b>
* Excludes amount charged to other heads Rs. 2,905,970 (2005-06 : Rs. 1,932,581)		
<b>SCHEDULE 20 : ADMINISTRATION &amp; OTHER EXPENSES</b>		
RENT	11,029,785	9,618,728
RATES & TAXES	3,618,362	2,189,795
INSURANCE	5,901,638	5,667,888
DIRECTORS' SITTING FEES	518,000	181,000
EXCHANGE FLUCTUATION (NET)	4,748,259	-
OFFICE & OTHER EXPENSES	56,367,391	48,167,512
TRAVELLING & CONVEYANCE	16,100,233	17,475,522
BAD DEBTS/ADVANCES WRITTEN OFF	1,166,942	6,243,873
OTHER FINANCING CHARGES	8,274,794	6,474,688
ISSUE EXP. WRITTEN OFF	530,000	530,000
PROVISIONS FOR DOUBTFUL DEBTS/ADVANCES	2,315,860	11,126,307
LOSS ON SALE/WRITE OFF OF FIXED ASSETS (NET)	94,888	3,778,532
	<b>110,666,152</b>	<b>111,453,845</b>

**ENGLISH INDIAN CLAYS LIMITED**

	YEAR ENDED 31.3.2007 Rs	YEAR ENDED 31.3.2006 Rs
<b>SCHEDULE 21 : SELLING &amp; DISTRIBUTION EXPENSES</b>		
PACKING & FORWARDING EXPENSES	28,578,030	28,785,573
COMMISSION TO SELLING AGENTS AND OTHERS	53,097,880	43,154,520
SALES DISCOUNT (NET)	12,958,995	16,891,779
OTHER SELLING EXPENSES	21,959,810	19,228,812
	<b>116,594,715</b>	<b>108,060,684</b>
<b>SCHEDULE 22 : RESEARCH &amp; DEVELOPMENT EXPENSES</b> (Refer Note 9 on Schedule 24)		
SALARY & WAGES	4,823,600	3,931,337
LABORATORY EXPENSES	571,834	1,169,386
OFFICE & OTHER EXPENSES	2,982,220	2,824,541
	<b>8,377,654</b>	<b>7,925,264</b>
<b>SCHEDULE 23 : INTEREST (NET)</b> (Refer Note 11 and 12 on Schedule 24)		
INTEREST*		
-ON FIXED LOANS	77,911,643	86,474,475
-OTHERS	16,777,771	17,319,980
	<b>94,689,414</b>	<b>103,794,455</b>
<b>LESS : INTEREST RECEIVED ON DEPOSITS AND LOANS (Gross)</b> (TAX DEDUCTED AT SOURCE Rs. 527,236; 2005-06 : Rs. 913,320)	3,122,720	7,976,006
	<b>91,566,694</b>	<b>95,818,449</b>
* Includes amount paid or payable to Directors Rs. 696,231 (2005-06 : Rs 1,022,521)		

**SCHEDULE 24  
STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**

**1. Accounting Convention**

These financial statements are prepared under the historical cost convention on accrual basis except so far as they relate to revaluation of land, buildings, certain plant and machinery and are prepared in accordance with accounting standards issued by the Institute of Chartered Accountants of India, and the provisions of the Indian Companies Act, 1956.

**2. Fixed Assets**

Fixed Assets (other than those which have been revalued), including capital spares, research and development assets and leasehold improvements are stated at cost including technical know-how cost and other pre-operative/incidental expenses related to acquisition and installation. The revalued fixed assets are restated at their estimated current replacement values as on the date of revaluation as determined by the approved valuers.

**3. Depreciation/Amortisation**

Depreciation on Fixed Assets is provided as per straight line method at higher of the following

- a) Depreciation on original cost as specified in Schedule XIV to the Companies Act, 1956 or
- b) Depreciation on revalued value based on the residual life of the asset.\*

\* Since the list of the assets is too large, it is not practicable to give the individual depreciation rates for each of the assets.

In respect of additions and deletions, depreciation charge is restricted to the period of use. All assets (including tools and those given on lease) costing Rs. 5,000 or less are fully depreciated in the year of addition and where the cost of the assets is increased/decreased on account of Foreign Currency fluctuation on related liabilities, depreciation on such additions/deductions is made prospectively.

Leasehold improvements (included in furniture and fixtures) are depreciated on a pro-rata basis over the period of lease.

Technical Know-how/Brand is amortised over a period of 10 years from the date of acquisition.

Computer Software is amortised over a period of 5 years from the date of implementation.

**4. Investments**

Long term Investments are valued at their acquisition cost. Decline, other than temporary, in the value of long term investments is accounted for. Current Investments are valued at their cost of acquisition or market value, whichever is lower.

**5. Inventories**

Stores and spare parts (including materials in transit), raw materials (including clay matrix-mined and purchased), work in process and finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis. Total mining expenses except depreciation on Fixed Assets at mines are taken as raw material cost for Clay Matrix – mined. In respect of finished goods and work in progress, appropriate overheads are considered.

**6. Miscellaneous Expenditure**

Issue Expenses are amortised in five equal annual installments.

**7. Employees Benefits****(a) Short Term Employee Benefits**

Short term employee benefits are recognized in the period during which the services have been rendered.

**(b) Long Term Employee Benefits****(i) Defined Contribution Plan****Provident Fund and employees state insurance schemes**

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India and an approved Trust for this purpose. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

**Superannuation Plan** - Some employees of the Company are entitled to superannuation, a defined contribution plan which is administered through Life Insurance Corporation of India ("LIC"). Superannuation benefits are recorded as an expense as incurred.

**(ii) Defined Benefit Plan**

**Leave Encashment** – The Company has provided for the liability at year end on account of unavailed earned leave and compensated absences as per the actuarial valuation as per the Projected Unit Credit Method.

**Gratuity** – The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employees salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with accounting Standard 15 (revised).

- (iii) **Others** – The Company has provided for the liability at year end for other long term employee benefits as per the actuarial valuation as per the Projected Unit Credit Method.

Actuarial gains and losses are recognized as and when incurred.

Provision for gratuity and leave encashment is provided for in the books, in respect of eligible employees based on actuarial valuation carried out at the end of each year. The Company makes defined contributions for Provident Fund & Superannuation Fund to the Provident Fund Authorities/ Trusts established for this purpose. Such contributions are charged to the profit and loss account on an accrual basis.

#### **8. Foreign Currency Transactions**

Liabilities covered by forward exchange contracts are translated at contracted rates of exchange and the difference between the contracted rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract, further exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognised as income/expense for the period except in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in the carrying amount of the respective fixed assets. Other Foreign Exchange transactions are accounted for at rates prevailing on the date of transaction and at the year end all monetary assets/liabilities are restated at the closing exchange rates and the resultant exchange fluctuation is recognised in the profit and loss account except for liabilities relating to acquisition of fixed assets the exchange fluctuation of which is adjusted in the carrying cost of the related asset.

#### **9. Research & Development Expenses**

Revenue expenditure on research & development is charged off as and when incurred.

#### **10. Government Grant**

Government grants relating to depreciable fixed assets are treated as deferred income and recognised in the Profit and Loss Account over the remaining useful life of the related assets.

#### **11. Revenue Recognition**

- a) Revenue from Sale/Services is recognised on despatch which coincides with the transfer of all significant risks and rewards of ownership and is inclusive of excise duty, where applicable.

- b) Income from investments - dividend / interest is recognised on the basis of declaration/ accrual thereof.

#### **12. Borrowing Costs**

Borrowing costs are charged to revenue except in cases where costs relate to qualifying assets in which case such costs are capitalised as a part of cost of respective assets till the date they are put to their intended use.

#### **13. Taxation**

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit for the year. Provision for the current tax is made based on liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for all temporary timing differences arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

#### **14. Segment Accounting**

The accounting policies applicable to the reportable segment are the same as those used in the preparation of the financial statements as set out above.

Segment Revenue and expenses include amounts which are directly identifiable to the segment or allocable on a reasonable basis.

Segment assets include all operating assets used by the segment and consist primarily of debtors, inventories and fixed assets. Segment liabilities include all operating liabilities and consist primarily of creditors and statutory liabilities.

#### **15. Earnings per share (EPS)**

The earnings considered in ascertaining the Company's Basic EPS comprises net profit after tax. The number of shares used in computing Basic EPS is the weighted Average number of shares outstanding during the year.

The earnings considered in ascertaining the Company's Dilutive EPS comprises net profit after tax as adjusted for expenses or income that would result from the conversion of the dilutive potential equity shares. The number of shares used in computing Diluted EPS is the weighted average number of shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares.

#### **16. Leases**

Lease payments under an operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

## ENGLISH INDIAN CLAYS LIMITED

### 17. Provisions & Contingencies

A provision is recognized when there is a present obligation has a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### SCHEDULE 25

#### A. NOTES TO THE ACCOUNTS

##### 1. Contingent Liabilities

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
a) Outstanding bank guarantees	16,719,382	20,894,517
b) Outstanding letter of credits	2,757,682	3,785,529
c) Bills and cheques discounted	39,150,912	13,453,812
d) Indemnity bond countersigned	24,984,972	24,984,972
e) Excise & Sales-tax matters (including penalty of Rs 108,130,215)	223,523,684	120,649,192
f) Entry Tax on Special Kerosene Oil (SKO)	15,133,588	10,040,585
g) Income-tax matters (Also refer Note 3 below)	49,315,060	48,118,146
h) Fulfillment of export obligations under advance licenses	2,500,000	2,500,000
i) Claims against the Company not acknowledged as debts amount to the extent ascertainable amounts to :		
i) Rs. 4,963,311 (2005-06 : Rs 4,963,311) in respect of lease rent on lands acquired on lease for which the case is pending before the Hon'ble High Court of Kerala.		
ii) Rs. 837,400 (2005-06 : Rs 837,400) net of provision made on account of rent.		
2. Estimated amounts of contracts remaining to be executed on Capital Account (Net of advances) Rs. 185,202,609 (2005-06 : Rs 14,836,189).		
3. Subsequent to the Miscellaneous petition filed by the Company, the Income Tax Appellate Tribunal (ITAT) has reserved its order thus retaining the reduction in brought forward losses		

to the extent of Rs 139,842,989 in case of erstwhile Bharat Starch Industries Limited, (since merged with the Company with effect from 1.04.2001) for the Assessment Year 2001-02. The Company is in the process of filing its petition before the relevant Authorities.

4. To enable the Company to focus on and enhance its core manufacturing business operations, the Directors have approved a scheme of de-merger of investment division which will be subject to statutory and regulatory approvals.

**5. Earnings per Share**

	<b>31.03.2007</b>	<b>31.03.2006</b>
<b>a) Weighted average number of Equity shares of Rs 10 each.</b>		
Number of Equity Shares at the beginning of the year	4,468,979	4,468,979
<b>b) Net profit after tax</b>	<b>181,239,473</b>	<b>176,632,444</b>
Less : Dividend on 10% Redeemable preference shares	11,551,000	11,402,500
Less : Dividend on 11% Redeemable preference shares	14,551,095	
<b>Net profit after tax available to Equity shareholders</b>	<b>155,137,378</b>	<b>165,229,944</b>
<b>c) Potential Number of Equity Shares at the end of the year</b>		
Total Number of Equity Shares as per (a) above	4,468,979	4,468,979
Number of Equity shares deemed converted at the beginning of the year	8,884,628	15,329,070
	13,353,607	19,798,049
<b>d) Net profit after tax available for potential equity shareholders</b>		
Net profit after tax available to equity shareholders	155,137,378	165,229,944
Income on Dilutive Potential Equity Shares	6,400,599	11,780,122
	<b>161,537,977</b>	<b>177,010,066</b>
<b>e) Basic EPS</b>	<b>34.71</b>	<b>36.97</b>
<b>f) Diluted EPS</b>	<b>12.10</b>	<b>8.94</b>
<b>g) Nominal Value of Equity Share</b>	<b>10.00</b>	<b>10.00</b>

## ENGLISH INDIAN CLAYS LIMITED

6. Deferred Tax	Opening as at 01.04.2006 Rs	Adjustment to Opening Reserves Rs	Charged/ (Credited) to P & L Rs	Closing as at 31.03.2007 Rs
<b>Deferred Tax Liabilities</b>				
Tax impact of difference between carrying amount of fixed assets in the financial statements and under the Income Tax Act.	149,413,223	-	18,352,835	167,766,058
	<b>149,413,223</b>	<b>-</b>	<b>18,352,835</b>	<b>167,766,058</b>
<b>Deferred Tax Assets</b>				
Tax impact of expenses charged in the financial statement but allowable as deductions in future years under income-tax	18,099,425		2,338,248	20,437,673
Adjustment on account of valuation of Employee Benefit		12,110,308		12,110,308
	<b>18,099,425</b>	<b>12,110,308</b>	<b>2,338,248</b>	<b>32,547,981</b>
<b>Net Deferred Tax (Asset)/Liability</b>	<b>131,313,798</b>	<b>(12,110,308)</b>	<b>16,014,587</b>	<b>135,218,077</b>
The tax impact for the above purpose has been arrived by applying the applicable tax rate for Indian Companies under the Income Tax Act, 1961.				
<b>7. Segment Information</b>				
A. Primary Segment Reporting (by Business Segments)				
i. <b>Composition of Business Segments</b>				
The Company's business segments are organised as under:				
<b>Clay Products:</b> Segment manufactures and supplies the clay products to various industries like paper, paint, rubber and fibreglass etc.				
<b>Starch Products :</b> Segment comprising starches/specialty starches, syrups and modified starches, manufactures and supplies the starch products to various industries like paper, textile, food and pharma etc.				
<b>Investments :</b> Segment holds shares in various companies.				



## ENGLISH INDIAN CLAYS LIMITED

### 8. Lease Commitments:

The Company has entered into a lease agreement for a period of 9 years and is cancelable at the option of the lessee after a period of 3 years. The terms of lease agreement include terms for renewal and increase in rents in future periods. The future aggregate minimum lease payments under operating lease are as follows:

	<b>2006-07</b> <b>Rs</b>	<b>2005-06</b> <b>Rs</b>
Not Later than 1 year	2,883,192	2,883,192
Later than 1 year and not later than 5 years	10,619,750	13,214,629
Later than five years	-	288,319

### 9. Related Party Disclosures

In accordance with the required Accounting Standard (AS-18) on related party disclosures where control exist and where transactions have taken place and description of the relationship as identified and certified by management are as follows:

#### A. Associates

##### **Enterprises which have significant influence over the Company:**

DBH International Private Limited and Karun Carpets Private Limited

#### B. Enterprises over which substantial shareholders of the Company and their relatives, have significant influence:

Crompton Greaves Ltd, Greaves Cotton Ltd, Premium Energy & Transmission Ltd, Solaris Holdings Ltd, Solaris Bio-chemicals Ltd, Pembrill Industrial & Engineering Co. Ltd, Greaves Leasing Finance Ltd, Bharat Projects Pvt Ltd, Dee Greaves Ltd, KCT Chemicals & Electricals Ltd, Standard Refinery & Distillery Ltd (erstwhile Deoria Sugar Mills Ltd, Shree Sita Ram Sugar Co. Ltd, New Savan Sugar & Gur Refining Co. Ltd since merged), Bharat Starch Products Ltd, Aravali Sports & Cultural Foundation, Karam Chand Thapar & Bros. Ltd, Thapar Institute of Engineering & Technology

#### C. Key Management Personnel & their relatives

Mr Karan Thapar – Chairman, Mr B M Thapar, Ms Devika Thapar (Daughter of Mr Karan Thapar), Mr Karam Thapar (Son of Mr Karan Thapar), Mr D Kohli, Mrs Amita Kohli (Wife of Mr D Kohli), Mr Vikramaditya Kohli (Son of Mr D Kohli), Mrs Jasbir Kohli (Mother of Mr D Kohli), Mr Sudhir Mathur (upto September 8, 2006), Mrs. Sangeeta Mathur (Wife of Mr Sudhir Mathur; upto September 8, 2006), Mr M M George, Mrs Annakutty George (Wife of Mr M M George), Mr S K Jain, Mr P S Saini.

a) Transactions with related parties	Associates which has significant influence in the company influence		Enterprises over which substantial shareholders have significant influence		Key management personnel & their relatives		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
<b>Purchase of Goods</b>								
DBH International Pvt. Ltd.	12,451,362	10,101,492	-	-	-	-	12,451,362	10,101,492
Premium Energy Transmission Ltd.	128,090	-	-	-	-	-	128,090	-
Others	-	-	-	36,147	-	-	-	36,147
<b>Purchase of Investments</b>								
Greaves Cotton Ltd.	-	-	276,922,461	142,000,000	-	-	276,922,461	142,000,000
<b>Allotment of Preference Shares</b>								
DBH International Pvt. Ltd.	200,000,000	-	-	-	-	-	200,000,000	-
<b>Sale of investments</b>								
Solanis Holdings Ltd.	-	-	-	486,150,000	-	-	-	486,150,000
<b>Receiving of Services</b>								
Karun Carpets Pvt. Ltd.	7,207,133	6,533,457	-	-	-	-	7,207,133	6,533,457
<b>Loan/Advances Paid</b>								
Deoria Sugar Mills Limited	-	-	-	30,000,000	-	-	-	30,000,000
DBH International Pvt Ltd	50,000,000	50,905	-	-	-	-	50,000,000	50,905
Karun Carpets Pvt. Ltd.	5,000,000	-	-	-	-	-	5,000,000	-
<b>Refund of Public Deposit</b>								
Ms. Ameeta Kohli	-	-	-	-	300,000	-	300,000	-
<b>Loan/advances received</b>								
Deoria Sugar Mills Limited	-	-	-	30,000,000	-	-	-	30,000,000
DBH International Pvt Ltd.	50,000,000	-	-	-	-	-	50,000,000	-
Karun Carpets Pvt. Ltd.	5,000,000	-	-	-	-	-	5,000,000	-
<b>Rent Paid</b>								
DBH International Pvt Ltd.	1,296,000	901,871	-	-	-	-	1,296,000	901,871
<b>Security Deposit Refund</b>								
DBH International Pvt Ltd.	2,000,000	2,000,000	-	-	-	-	2,000,000	2,000,000

ENGLISH INDIAN CLAYS LIMITED

	Associates which has significant influence in the company influence		Enterprises over which substantial shareholders have significant influence		Key management personnel & their relatives			Total
	2006-07 Rs	2005-06 Rs	2006-07 Rs	2005-06 Rs	2006-07 Rs	2005-06 Rs	2006-07 Rs	
<b>Dividend Received</b>								
Crompton Greaves Ltd.	-	-	-	38,250,000	-	-	-	38,250,000
Greaves Cotton Ltd.	-	-	26,596,557	1,050	-	-	26,596,557	1,050
<b>Dividend Paid on Preference Shares</b>								
DBH International Pvt Ltd.	12,597,260	-	-	-	-	-	12,597,260	-
<b>Commission</b>								
Mr. Karan Thapar	-	-	-	-	2,887,870	2,240,165	2,887,870	2,240,165
<b>Remuneration</b>								
Mr. D. Kohli	-	-	-	-	2,495,380	2,246,119	2,495,380	2,246,119
Mr. Sudhir Mathur	-	-	-	-	1,143,062	1,648,851	1,143,062	1,648,851
Mr. S. K. Jain	-	-	-	-	1,639,746	1,441,741	1,639,746	1,441,741
Mr. P.S. Saini	-	-	-	-	1,180,681	1,193,395	1,180,681	1,193,395
Mr. M.M. George	-	-	-	-	1,322,580	1,211,110	1,322,580	1,211,110
Others	-	-	-	-	-	-	-	-
<b>Interest Paid on Loans</b>								
DBH International Pvt Ltd.	515,068	-	-	-	-	-	515,068	-
Karun Carpets Pvt. Ltd.	16,027	-	-	-	-	-	16,027	-
<b>Other Income</b>								
Deoria Sugar Mills Ltd.	-	-	-	116,027	-	-	-	116,027
KCT & Bros. Ltd.	-	-	-	3,120	-	-	-	3,120
<b>Other Expenses</b>								
Aravali Sports & Cultural Foundation	-	-	1,618,400	1,116,500	-	-	1,618,400	1,116,500
Thapar Institute of Engg. & Tech.	-	-	250,000	250,000	-	-	250,000	250,000
Mr. Karan Thapar	-	-	-	-	233,526	212,599	233,526	212,599
Mr. D. Kohli	-	-	-	-	403,649	283,846	403,649	283,846
Mrs. Sangeetha Mathur	-	-	-	-	-	312,000	-	312,000
Others	-	-	-	-	478,384	213,315	478,384	213,315
<b>Notes</b>								
	1. Reimbursement of expenses have not been included in the above details.							
	2. Refer Note 1 (d) for the bonds provided on behalf of erstwhile Shree Sitaram Sugar Mills Ltd. and Deoria Sugar Mills Ltd. now Standard Refinery & Distillery Ltd.							

## b) Outstanding Balances and balances written off and written back :

	31.03.2007 Rs	31.03.2006 Rs
1. Associates in which the company has significant influence	Nil	Nil
2. Associates which have significant influence over the company	9,194,806 Dr 5,791,054 Cr	11,000,000 Dr 4,021,799 Cr
3. Enterprises, over which substantial shareholders of the company and their relatives, have significant influence	738,446 Dr 4,100 Cr	680,766 Dr 158,634 Cr
4. Key Management Personnel & their relatives of key management	2,887,870 Cr	2,240,165 Cr

**10. Employee benefits**

- a) The Company has during year adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Pursuant to adoption of the revised standard, as per the transitional provisions, the additional liability (net of deferred tax) of Rs.23,868,028 upto March 31, 2006 has been adjusted against opening reserves. The transitional adjustment is on account of gratuity, leave encashment / compensated absences for staff (earned leave /sick leave).
- b) During the year, the Company has recognized the following amounts in the Profit and Loss Account.

**Defined Contribution Plans**

	<b>Year ended March 31, 2007 Rs</b>
Employer's Contribution to Provident Fund *	9,083,159
Employer's Contribution to Superannuation Fund *	3,921,361
Employer's Contribution to ESI**	1,471,675

\* Included in Contribution to Provident and Other Funds (Refer Schedule 16)

\*\* Included in Welfare Expenses (Refer Schedule 16)

**Defined Benefit Plans**

	<b>Gratuity Rs</b>	<b>Leave Encashment Rs</b>
Current Service Cost	3,896,852	229,808
Past Service Cost	-	-
<b>Net Cost</b>	<b>3,896,852</b>	<b>229,808</b>

- c) The assumptions used to determine the benefit obligations are as follows :

	<b>Gratuity</b>	<b>Leave Encashment</b>
Discount Rate	8.20%	8.20%
Expected Rate of increase in Compensation levels	9.00%	9.00%
Expected Average remaining working Lives of employees (years)	18 Years	18 Years

In calculating the leave earned /compensated absences liability, 36% of the leave has been assumed to be availed of during the service before separation.

d) Reconciliation of opening and closing balances of benefit obligations:

<b>Change in Projected Benefit Obligation (PBO)</b>	<b>Gratuity Rs</b>	<b>Leave Encashment Rs</b>
Projected benefit obligation at April 1, 2006	<b>53,142,538</b>	<b>3,034,863</b>
Current service cost	3,896,852	229,808
Interest cost	4,251,403	242,789
Benefit paid	(4,323,448)	(3,952,999)
Actuarial (gain) / loss	1,174,741	4,171,943
<b>Projected benefit obligation at March 31, 2007</b>	<b>58,142,086</b>	<b>3,726,404</b>

The projected benefit obligation for compensated absences (earned / sick leaves) at the beginning of the year and at the end of the year is Rs 19,202,040 and Rs 19,972,276 respectively.

e) The discount rate is based on the average yield on government bonds of 20 years.

f) Expenses recognized in the Profit and Loss Account

	<b>Gratuity Rs</b>	<b>Leave Encashment Rs</b>
Current service cost	3,896,852	229,808
Interest cost	4,251,403	242,789
Actuarial (gain) / loss	1,174,741	4,171,943
<b>Total</b>	<b>9,322,996</b>	<b>4,644,540</b>

In addition to above, an amount of Rs 770,236 has been charged towards compensated absences of staff (Earned / sick leaves).

Since the Accounting Standard became applicable from the current year, therefore previous year figures are not being disclosed.

11. Based on the information available and as represented by the Company, the amounts due to Small Scale Industrial Undertakings are as disclosed in Schedule 12 and the names of Small Scale Industrial Undertakings to whom the Company owes any sum outstanding for more than 30 days are Fast Clays & Mineral, Sree Sakthi Clays, Transmission Engineers, Venkateswara Engineers, Cauvery Chemicals, Clay India, Lakshmi M S, A P Polyplast Pvt Ltd, Lamina Associates, MSN Packers Pvt. Ltd., Ahuja Barrel Supply Co., and Time Technoplast Limited.

12. Previous year figures have been re-grouped/recast, wherever necessary to conform to the current year classification.

## ENGLISH INDIAN CLAYS LIMITED

### (B) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS(3) TO (4D) OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956 TOGETHER WITH OTHER NOTES

#### 1 Particulars In respect of licensed and installed capacity, goods manufactured, opening stock, closing stock, and sales.

a) Licensed Capacity	As per the latest Industrial Policy of the Government of India Clay and Starch manufacturing Industry is delicensed
b) Installed Capacity (Annual)*	204,000 MT of Clay products, 98,400 MT of starch and its allied products

\* As certified by management and accepted by auditors, being a technical matter

c) Class of Goods Manufactured			
Actual Production		YEAR ENDED	YEAR ENDED
		31.03.2007	31.03.2006
		MT	MT
Clay products*		163,660	147,659
Starch and Allied Products**		73,594	68,963

\* Out of the above 20,865 MT of processed clay (2005-06 : 14,769 MT) were used for manufacture of High end Products

\*\* Out of the above 18,479 MT of Starch (2005-06 : 17,485 MT) were used for manufacture of Allied Products

(d) Stock of finished goods	Quantity	Value	Quantity	Value
	M.T	Rs.	M.T	Rs.
<b>Opening Stock</b>				
Clay products	9,865	52,495,306	5,617	33,090,759
Starch and Allied Products	1,095	21,957,898	2,035	37,198,539
By products & Others		3,904,234		2,276,748
		<b>78,357,438</b>		<b>72,566,046</b>
<b>Closing Stock</b>	Quantity	Value	Quantity	Value
	M.T	Rs.	M.T	Rs.
Clay products*	5,579	26,784,064	9,865	52,495,306
Starch and Allied Products	1,782	33,791,993	1,095	21,957,898
By products & Others		1,688,579		3,904,234
		<b>62,264,636</b>		<b>78,357,438</b>

\* Net of damaged stocks Clay 128 MT (2005-06 : 188 MT) and Starch and Allied Products 8 MT (2005-06 : NIL MT)

\*\* includes stock of purchased clay NIL MT; Rs NIL (2005-06 : 3 MT Rs 10,728)

(e) Sales	Quantity	Value	Quantity	Value
	M.T	Rs.	M.T	Rs.
<b>Domestic Sales</b>				
Clay products*	141,337	1,061,273,136	121,873	851,856,501
Starch and Allied Products**	51,133	1,193,964,676	50,727	1,037,173,953
By products & Others	-	88,447,636	-	72,366,245
<b>Export Sales</b>				
Clay products	5,616	103,894,017	6,741	75,595,087
Starch and Allied Products***	3,633	78,344,150	1,859	37,300,347
		<b>2,525,923,615</b>		<b>2,074,292,133</b>

\* Includes NIL MT; Rs NIL (2005-06 : 176 MT Rs. 1628,000) for sale of purchased clay.

\*\* includes 337 MT; Rs 2,720,693 (2005-06: 170 MT Rs. 425,938 for sale of Maize, 9 MT; Rs 191,820(2005-06 : NIL MT; Rs NIL) for sale of Tapioca Starch and excludes NIL MT (2005-06 : 2 MT) issued as samples.

\*\*\* includes Rs 68,820,323 (2005-06 ; Rs 28,805,085) for deemed exports

**ENGLISH INDIAN CLAYS LIMITED**

(f) During the year the Company purchased NIL MT (2005-06 : 160 MT) traded clay and 337 MT (2005-06 : 170 MT) Maize and 9 MT (2005-06 : NIL) Tapioca Starch.

**2 Quantity and value of Raw materials consumed:**

	2006-07		2005-06	
	Quantity M.T	Value Rs.	Quantity M.T	Value Rs.
Clay Matrix*	176,526	60,484,552	115,856	38,568,423
Maize	52,088	444,623,969	48,927	373,137,757
Maize (Traded)	337	2,744,594	170	1,329,627
Maize Starch	4,883	61,945,993	2,802	33,284,313
Tapioca Starch	9,748	138,618,622	11,556	149,284,954
Tapioca Starch (Traded)	9	172,748	-	-
Others		55,062,062	-	36,301,311
		<b>763,652,540</b>		<b>631,906,385</b>

\* Excludes 252,984 MT (2005-06 : 247,719 MT) of clay matrix mined by the Company during the year. The expenses of mining are charged in Profit & Loss account under the head Clay mining and processing expenses.

**3 Value of imports calculated on CIF basis during the year in respect of:**

	2006-07 Rs.	2005-06 Rs.
Raw Material	55,284,771	14,225,094
Stores and Spare parts	12,529,123	9,285,564
Capital Goods	10,006,527	6,309,319
	<b>77,820,421</b>	<b>29,819,977</b>

**4 Expenditure in Foreign Currency :  
(Cash basis)**

	2006-07 Rs.	2005-06 Rs.
Commission	5,207,806	1,670,517
Travelling	1,035,476	2,535,668
Consultancy	374,951	502,636
Others	95,633	402,247
	<b>6,713,866</b>	<b>5,111,068</b>

**5 Earnings in foreign exchange calculated on FOB. Basis**

Export of: Clay products	103,894,017	75,595,087
Starch and Allied Products	9,523,827	8,490,539
	<b>113,417,844</b>	<b>84,085,626</b>

**6 Value of indigenous and imported Raw Materials, Stores and Spare Parts consumed during the period and percentage of each to the total consumption :**

	INDIGENOUS		IMPORTED		TOTAL Value Rs.
	Value Rs.	%	Value Rs.	%	
Raw Material(s)					
<b>2006-07</b>	<b>700,018,287</b>	<b>91.67%</b>	63,634,253	8.33%	<b>763,652,540</b>
2005-06	623,356,698	98.65%	8,549,687	1.35%	631,906,385
Store & Spare Parts*					
<b>2006-07</b>	<b>302,958,723</b>	<b>96.91%</b>	<b>9,665,135</b>	<b>3.09%</b>	<b>312,623,858</b>
2005-06	255,079,040	95.71%	11,422,305	4.29%	266,501,345

\*Includes Rs. 106,809,186 (2005-06 : Rs 96,281,327) debited to other heads.

## ENGLISH INDIAN CLAYS LIMITED

### 7 Amount paid / payable to Auditors:

	2006-07 Rs.	2005-06 Rs.
i) Audit Fees	2,000,000	2,000,000
ii) Tax Audit Fees	400,000	400,000
iii) Other Matters	1,375,000	165,000
iv) Out of pocket expenses (including Service-tax)	719,988	308,040
	<b>44,94,988</b>	<b>28,73,040</b>

### 8 Directors' Remuneration

Salary & Allowances	2,135,000	1,885,000
Director's Commission	2,887,870	2,240,165
Contribution to provident and other funds	275,400	275,400
Value of Perquisites	84,980	85,719
	<b>5,383,250</b>	<b>4,486,284</b>

Note : The above does not include Gratuity and Leave encashment in case of the Executive Director.

### 9 Computation of Net Profit in accordance with section 198 read with section 349 of the Companies Act, 1956 and computation of commission payable to the Non-Executive Director

	Year ended 31.03.2007	Year ended 31.03.2006
Profit before tax	280,876,655	244,878,848
<b>Add/(Less)</b>		
(Profit)/Loss on sale of investments		(42,767,257)
Bad debts/advances written off against provisions	(8,795,749)	(1,324,776)
Depreciation as per books	78,373,426	75,066,137
Less : Depreciation as per Schedule XIV to the Companies Act	69,884,431	8,488,995
Directors' Remuneration	5,383,250	67,630,007
Directors' Sitting Fee	518,000	7,436,130
Provision for doubtful debts/advances	2,315,860	4,486,284
	<b>288,787,011</b>	<b>224,016,536</b>
Total Remuneration (restricted to 5% of Adjusted Profit)	14,439,351	11,200,827
Commission (restricted to the amount whereby the total remuneration is within the limit sanctioned by the shareholders)	2,887,870	2,240,165

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****1 Registration Details**

Registration No.	2039	State Code	09
Balance Sheet Date	31.03.2007		

**II Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	200000

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	2351136	Total Assets	2351136
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**Sources of Funds**

Paid-up Capital	344690	Reserves & Surplus	931148
Deffered Govt. Grant	644		
Secured Loans	833281	Unsecured Loans	106155
Deferred Tax Liabilities	135218		

**Application of Funds**

Net Fixed Assets	1572602	Investments	455480
Net Current Assets	323054	Misc. Expenditure	Nil
Accumulated Losses	Nil		

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover	2564892	Total Expenditure	2284015		
Profit/Loss Before Tax	+	280877	Profit/Loss After Tax	+	181239
Earning Per Share	Rs.	34.71	Dividend Rate (%)	70%	

**V Generic Names of Three Principal Products/services of Company (As per monetary terms)**

Item Code No. (ITC Code)	
-Clay Products	329
-Maize Starch	11081200
-Glucose	2940009

Product Description                      Manufacture of miscellaneous non-metallic mineral products, starch and allied products.

**Sd/-**  
**P. S. Saini**  
Company Secretary &  
Head-Corporate Legal

**Sd/-**  
**S. K. Jain**  
Vice President  
(Corp. F & A)

**Sd/-**  
**D. Kohli**  
Managing Director

**Sd/-**  
**Karan Thapar**  
Chairman