



English Indian Clays Limited

Annual Report 2010-11



# English Indian Clays Limited

**CHAIRMAN**

MR. KARAN THAPAR

**DIRECTORS**

MR. S. K. TOSHNIWAL  
MR. J. K. JAIN  
MR. VIJAY RAI  
MR. PRAVEEN SACHDEV

**EXECUTIVE DIRECTOR**

MR. RAHUL GUPTA

**SR. VICE PRESIDENT**

CORPORATE FINANCE ACCOUNTS &  
ADMINISTRATION

MR. S. K. JAIN

**COMPANY SECRETARY &**

HEAD-CORPORATE LEGAL

MR. P. S. SAINI

**AUDITORS**

WALKER, CHANDIOK & CO.  
CHARTERED ACCOUNTANTS

**BANKERS**

AXIS BANK LIMITED  
STATE BANK OF INDIA  
YES BANK LIMITED

**REGISTERED OFFICE**

TC-79/4, VELI,  
THIRUVANANTHAPURAM-695 021  
KERALA

**CORPORATE OFFICE**

801-803, TOWER-B, 8TH FLOOR,  
GLOBAL BUSINESS PARK,  
MEHRAULI-GURGAON ROAD,  
GURGAON-122 001 (HARYANA)

**WORKS**

THIRUVANANTHAPURAM (KERALA)  
YAMUNANAGAR (HARYANA)  
PUDUCHERRY (U.T.)  
SHIMOGA (KARNATAKA)

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

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

To,  
The Members:

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

(₹ in Crores)

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

## **DIVIDEND**

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

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

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

## **CAPITAL**

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

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

## **OPERATIONS**

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

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

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

## **EXPORTS**

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

## **NEW PLANT**

### **Specialty Starch Plant at Shimoga**

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

### **Clay project at Bhuj**

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

## **RESEARCH & DEVELOPMENT ACTIVITIES**

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



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

#### **FIXED DEPOSITS**

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

#### **CORPORATE GOVERNANCE**

The Company has complied with the code on corporate governance as prescribed under Clause 49 of the Listing Agreement with Bombay Stock Exchange. A compliance report alongwith Auditor's Certificate and the management discussion and analysis is appended herewith.

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

As required under rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy and detail of Technology absorption in respect of Starch Division is annexed herewith in Form A.

The company has recorded export earnings of ₹ 16.90 Crores and remittance of foreign currency equivalent to ₹ 6.71 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No.3 to 5 of Schedule 24B.

#### **DIRECTORS**

Mr. Karan Thapar and Mr. J.K. Jain, Directors being longest in the Office, are liable to retire by rotation and are eligible for reappointment. Their appointments are recommended for your approval. The Profile of Mr. Karan Thapar and Mr. J.K.Jain seeking reappointment, forms part of the Corporate Governance Report.

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

Mr. Praveen Sachdev was appointed as an Additional Director of the Company w.e.f. 28-1-2011 and he will hold office upto the date of ensuing Annual General Meeting of the Company. A notice U/s 257 of the Companies Act, 1956, proposing his candidature as a Director of your Company, has been received. His appointment as a Director is recommended for your approval. The Profile of Mr. Praveen Sachdev seeking appointment, forms part of the Corporate Governance Report.

#### **PROMOTER GROUP**

The Promoter Group holding in the Company currently is 79.91% of the Company's Equity Capital. The Members may note that the promoter group companies, are controlled by Mr. Karan Thapar, comprising of the following Companies (1) Greaves Cotton Ltd., (2) Premium Transmission Ltd., (3) Pembril Industrial & Engineering Company Pvt. Ltd., (4) DBH International Pvt. Ltd. (5) Karun Carpets Pvt. Ltd., (6) Greaves Leasing Finance Ltd., (7) Bharat Projects Pvt. Ltd., (8) Dee Greaves Ltd., (9) Standard Refinery & Distillery Ltd., (10) Bharat Starch Products Ltd., (11) DBH Global Holdings Ltd., (12) DBH Investments Pvt. Ltd., (13) Greaves Farymann Diesel GmbH (14) DBH Consulting Ltd. (15) Greaves Auto Ltd. (16) Greaves Cotton Netherlands B.V. and (17) Ascot International FZC.

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

Statement of particular of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended upto date are attached herewith and form part of Directors' Report, as Annexure 'A'.

## **AUDITORS**

M/s Walker, Chandio & Co., Chartered Accountants, the existing Auditors retire and are eligible for reappointment. Their appointment is recommended for your approval.

## **RESPONSIBILITY STATEMENT**

Pursuant to the requirements of section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed;

- a) That the Company has followed the applicable accounting standards in the preparation of the Annual Accounts for the year ending 31-03-2011 and there is no material deviation from the previous year.
- b) That the Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year ended 31st March, 2011 and of the profit of the year ended 31.03.2011.
- c) That the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;
- d) That the Annual Accounts are prepared on a going concern basis.

## **CORPORATE SOCIAL RESPONSIBILITY**

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

## **HUMAN RESOURCES**

Your Company has successfully aligned human capital with business and organizational objectives. The emphasis has been on team work, skill development and development of leadership and functional capabilities of the management staff.

## **INDUSTRIAL RELATIONS**

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

## **ACKNOWLEDGEMENT**

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

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

**FOR AND ON BEHALF OF THE BOARD**

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

Place : Thiruvananthapuram  
Date : 27-04-2011



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

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

## F O R M – B

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

#### Clay Division

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

#### Starch Division

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

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

#### Clay Division

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

#### Starch Division

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

### 3. Future Plan of Action :-

#### Clay Division

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

#### Starch Division

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

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

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

## ANNEXURE 'A'

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

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

**Notes**

- Gross Remuneration includes Salary, Allowances, Performance Incentive, Leave Travel Concession, Company's Contribution to Provident Fund and Superannuation Fund, Leave Salary, Gratuity paid if any and taxable value of perquisites wherever applicable.
- Mr. Rahul Gupta, Executive Director is not relative of any Director of the Company.
- The appointment of Mr. Rahul Gupta, Executive Director is contractual.

## CORPORATE GOVERNANCE

### 1. COMPANY PHILOSOPHY

ENGLISH INDIAN CLAYS LTD. is committed to adopt transparent and efficient Corporate Governance practice for achieving better performance, maximizing operational efficiency, sustained productivity, as well as ensuring protection of interest of various constituents such as shareholders, customers, employees and creditors. The Company recognizes the importance of strong Corporate Governance which is an important mechanism to achieve its objectives. 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 and four Non-Executive/independent Directors as on 31-03-2011. Mr. S.N. Dua who was an independent Director superannuated on 29-01-2011 and Mr. P. Sachdev has been appointed as an independent Director on the Board w.e.f. 28-01-2011. 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)	3	No	7	2	--
Mr. S.N. Dua	Non-Executive Independent	4	No	6	2	--
Mr. S.K. Toshniwal	Non-Executive Independent	4	Yes	3	-	1
Mr. Vijay Rai	Non-Executive Independent	4	No	9	3	1
Mr. J.K. Jain	Non-Executive Independent	4	No	3	4	-
Mr. P.Sachdev	Non-Executive Independent	1	No	1	1	--
Mr. Rahul Gupta	Executive Director	4	No	-	-	--

As on 31-03-2011, the Directors of the Company are not related to each other and are independent of each other.

## 2.2 Board Meetings

The meetings of the Board of Directors of the Company are usually held at Company's Corporate Office at Gurgaon and generally chaired by Mr. Karan Thapar, Chairman of the Company. During the year, the Company held four Board Meetings on 18th May, 2010, 10th August, 2010, 22nd October, 2010 and 28th January, 2011.

## 3. AUDIT COMMITTEE

### 3.1 Composition

The Audit Committee comprises of three Independent Directors viz. Mr. Vijay Rai, Mr. J.K. Jain and Mr. P.Sachdev (w.e.f. 28-1-2011). Mr. S.N.Dua ceased to be a member of Audit Committee w.e.f. 29-01-2011. Mr. Vijay Rai is appointed by the Committee as the Chairman of the Committee. The Company Secretary is the Secretary to the Committee. The Executive Director and Senior Vice President (Corporate Finance, Accounts & Administration) are the permanent invitees at the Committee Meetings.

During the year, the Committee met four times, on 18th May, 2010, 10th August, 2010, 22nd October, 2010 and 28th January, 2011.

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

Name	Number of Meetings attended
Mr. Vijay Rai	4
Mr. S.N. Dua	4
Mr. J.K. Jain	4
Mr.P. Sachdev	0

### 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.
- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Internal as well as Statutory Auditors and the fixation of audit fees and fees for other services rendered by the Auditors.
- To review periodic financial results before submission to the Board with particular reference to;
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by Management.
  - Any qualification in draft audit report.
  - Compliance with Accounting Standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements.

- Review of financial reporting system.
- Ensuring regulatory compliances.
- To review the related party transactions.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To investigate any activity within its terms of reference.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

#### **4. 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. Rahul Gupta Executive Director and Mr.P. Sachdev (w.e.f. 28-1-2011) as other members of the Committee. Mr. S.N. Dua ceased to be a member of the Committee w.e.f. 29-01-2011.

The Committee deals in matters relating to transfer and transmission of shares, issue of duplicate share certificates, redressing of investor's complaint such as non receipt of shares/ dividends etc. and other matters related to shares of the Company.

Mr. P.S. Saini, Company Secretary is the Compliance Officer of the Company. During the year, the Committee met twice, on 3rd November, 2010 and 25th February, 2011 and received 5 complaints from the shareholders which were duly redressed.

#### **5. RISK MANAGEMENT COMMITTEE**

The Risk Management Committee comprises of following three Directors;

1. Mr. J.K. Jain, Chairman
2. Mr. Vijay Rai, Member
3. Mr. Rahul Gupta, Executive Director

During the financial year 2010-11, the Committee met two times. The Company has well defined Risk Assessment and Minimization Policy duly approved by the Board of Directors of the Company. The Committee evaluated the anticipated risks associated with the affairs of the Company and the necessary steps had been taken to mitigate/ minimize the risks.



## 6. REMUNERATION TO DIRECTORS

### A. Executive Director

(Amount in ₹)

	Salary	Perquisites	Retirement Benefits	Commission	Total
MR. RAHUL GUPTA	69,12,000	15,000	3,24,000	--	72,51,000

### B. Non-Executive Directors

#### I.

(Amount in ₹)

Name	Sitting Fees
Mr. Karan Thapar	35,000/-
Mr. S.N. Dua	60,000/-
Mr. S.K. Toshniwal	53,000/-
Mr. Vijay Rai	1,30,000/-
Mr. J.K. Jain	100,000/-
Mr. P. Sachdev	10,000/-

#### II.

(Amount in ₹)

Chairman	Commission
MR. KARAN THAPAR	46,87,563/-

The members of the Company in their Annual General meeting held on 08-09-2009 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.

### III. Director's Shareholding

The following non-executive directors are holding shares in the Company as on 31-03-2011 :-

	No.of Shares
1. Mr. Karan Thapar	72000
2. Mr. Vijay Rai	12836
3. Mr. S.K. Toshniwal	6875

## 7. GENERAL MEETINGS

Last three Annual General Meetings were held as under :-

Financial year ended	Date of Meeting	Time	Venue
31st March, 2010	29th June, 2010	11.30 a.m	TC-79/4, Veli, Thiruvananthapuram, Kerala
31st March, 2009	8th September, 2009	11.30 a.m.	TC-79/4, Veli, Thiruvananthapuram, Kerala
31st March, 2008	9th September, 2008	11.30 a.m.	TC-79/4, Veli, Thiruvananthapuram, Kerala

A Special resolution under Section 309 read with Section 198 of the Companies Act, 1956 approving payment of 1% Commission to Non-Executive Directors on net profit of the Company as calculated U/s 349 & 350 of the Companies Act, 1956 for a period of 5 years commencing from 1st April, 2009 was unanimously passed in the Annual General Meeting held on 8th September, 2009.

A Special resolution approving issue of 10,00,000 11% Cumulative Redeemable Preference Shares of ₹ 100/- each u/s 81(1-A) of the Companies Act, 1956 was unanimously passed in the Annual General Meeting held on 8th September 2009.

A Special resolution under Sections 16, 31 and 94 of the Companies Act, 1956 approving alteration of Clause V of Memorandum of Association and Article 5 of Articles of Association of the Company for the substitution of increased Authorised Capital from ₹ 380,000,000/- to 480,000,000/- was unanimously passed in the Annual General Meeting held on 29th June 2010.

A Special resolution approving sub- division of Equity Shares of ₹10/- each into Equity Shares of ₹ 2/- each was unanimously passed in the Annual General Meeting held on 29th June, 2010.

A Special resolution approving issue of 27,931,119 Bonus Equity Shares of ₹ 2/- each in the ratio of 5:4 by utilizing Capital Redemption Reserve was unanimously passed in the Annual General Meeting held on 29th June, 2010.

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

## 8. 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.

The Company did not have any material significant related party transaction which may have potential conflict with the interest of the Company.

### 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, 2011.



**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 28th 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.eicl.in](http://www.eicl.in).

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 Director 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 31st March, 2011".

Place : Thiruvananthapuram  
Date : 27-04-2011

**Sd/-**  
**Rahul Gupta**  
Executive Director

**d. CEO/CFO Certification**

The Executive Director and Senior Vice President (Corporate Finance, Accounts & Administration) 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.

**9. 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. The said results are promptly furnished to the stock exchange for display on their website and are also displayed on the Company's website [www.eicl.in](http://www.eicl.in).

Information about the Company in general, management, its financials, its products etc. can be accessed at the Company's website.

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

**10. GENERAL SHAREHOLDER INFORMATION**

**10.1 Disclosures regarding re-appointment of Directors**

**a. Mr. Karan Thapar**

Mr. Karan Thapar, Chairman of the Company aged 54 years, is a Chartered Accountant and belongs to the Promoter family. He joined the Board of the Company in the year 1990. He possesses rich experience of over 29 years in managing companies having interest in diversified areas. He holds 72 000 equity shares in the company. He holds Directorships in following companies.

**Other Directorships**

1. Greaves Cotton Ltd.
2. Bharat Starch Products Ltd.
3. Premium Transmission Ltd.
4. DBH International Pvt. Ltd
5. DBH Consulting Ltd
6. Karun Carpets Pvt. Ltd
7. Bharat Projects Pvt. Ltd.

**Committee Memberships**

Shareholders Grievance /	1. English Indian Clays Ltd
Share Transfer Committee	2. Greaves Cotton Ltd

**b. Mr. J.K. Jain**

Mr.J.K.Jain aged 65 years is fellow member of the institute of Chartered Accountant of India having 34 years of experience as finance Executive in both private and public Sectors in India and abroad such as GAIL (INDIA) Ltd., State Trading Corporation, Projects & Equipment Corporation and Engineering Projects (India) Ltd. He has gained rich and varied experience through working in companies engaged in manufacturing, Services, Trading, Construction and Projects. He is not holding any shares in the Company and holds Directorship in following Companies:

**Other Directorships**

1. Jamna Auto Industries Ltd.
2. Mahanagar Gas Ltd.
3. Gujarat State Petronet Ltd.

**Committee Memberships****Audit Committee**

- Mahanagar Gas Ltd.
- Jamna Auto Industries Ltd.
- Gujarat State Petronet Ltd.
- English Indian Clays Ltd.

**c. Mr. Praveen Sachdev**

Mr.Praveen Sachdev aged 66 years is an Engineering Graduate and brings with him rich experience of more than four decades in diverse areas, in Greaves cotton Ltd, of which he was the Managing Director and CEO. He is not holding any shares in the Company and holds Directorship in following Companies:

**Other Directorships**

Premium Transmission Ltd.

**Committee Memberships****Audit Committee**

Premium Transmission Ltd.  
English Indian Clays Ltd.

**Share Transfer/ Shareholders Grievance Committee**

English Indian Clays Ltd.

**10.2 Forthcoming Annual General Meeting**

The Forty Seventh Annual General Meeting of the Company is scheduled to be held on Friday 10th June, 2011 at TC-79/4, Veli, Thiruvananthapuram, Kerala at 11.00 a.m. inter-alia, to consider and adopt the Annual Accounts for the year ended 31st March, 2011.



### 10.3 Financial Calendar

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

#### Announcement of financial results

For year ended 31st March, 2011 on 27-04-2011.

The Board of Directors had declared an interim dividend @ 50 paise per equity share on 50276013 Equity Shares of ₹ 2/- each and ₹ 5.50/- per preference share on 11% 30,00,000 Cumulative Redeemable Preference Shares of ₹ 100/- each respectively for the year ended 31st March, 2011. The said interim equity dividend was paid on 12-11-2010.

The Board of Directors have also recommend a final dividend ₹ 0.50 per equity share (25%) on 50276013 Equity Shares of ₹ 2/- each and ₹ 5.50/- per preference share (₹ 5.50 per preference share as an interim dividend is already paid) on 11% 30,00,000 Cumulative Redeemable Preference Shares of ₹ 100/- each respectively for the year ended 31st March, 2011. The dividend declared by shareholders will be paid on 24-6-2011.

The quarterly/half yearly results for the financial year 2010-11 will be announced as follows :-

First Quarter ending 30th June, 2011 by 14th August, 2011

Half yearly ending 30th September, 2011 by 14th November, 2011.

Third Quarter ending 31st December, 2011 by 14th February, 2012.

Annual audited results by 30th May, 2012.

### 10.4 BOOK CLOSURE

The Register of Members of the Company will remain closed from 9-6-2011 to 10-6-2011. (Both days inclusive)

### 10.5 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

### 10.6 MARKET PRICE DATA - The Stock Exchange Mumbai

MONTH	HIGHEST (₹) OF THE MONTH	LOWEST (₹) OF THE MONTH
April, 2010	816.00	589.00
May, 2010	956.50	615.00
June, 2010	897.00	791.00
July, 2010*	944.95	75.60
August, 2010	84.60	69.00
September, 2010	80.05	66.90
October, 2010	77.00	68.60
November, 2010	72.30	55.50
December, 2010	67.80	55.00
January, 2011	63.50	48.10
February, 2011	52.75	41.75
March, 2011	53.60	43.55

\*On 9th July, 2010 the Company sub-divided 1 (one) Equity Share of ₹ 10/- each fully paid up into 5 (five) Equity Shares of ₹ 2/- each fully paid up and issued Bonus shares in the ratio of 5:4 i.e. 5 (five) Bonus Equity Shares of ₹ 2/- each fully paid up for every 4 (four) Equity Shares of ₹ 2/- each fully paid up.

## 10.7 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: shares@rcmcdelhi.com

## 10.8 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 21 days.

## 10.9 DISTRIBUTION OF EQUITY SHAREHOLDING PATTERN AS ON MARCH 31, 2011

CATEGORY	NO. OF SHARES OF ₹ 2/- EACH	PERCENTAGE
Promoters	40174603	79.91
Indian Institutional Investors	-	-
Other Bodies Corporate	962398	1.91
Foreign Institutional Investors	3013794	5.99
NRIs/OCBs	108779	0.22
Mutual Funds	-	-
General Public	5987947	11.91
Directors & Relatives	28492	0.06
<b>TOTAL</b>	<b>50276013</b>	<b>100</b>

## 10.10 DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2010

Shareholding of Nominal value (₹)	No. of Shareholders	Percentage	No. of Shares	Percentage
Upto 5000	17087	98.08	4155290	8.26
5001-10000	164	0.94	584473	1.16
10001-20000	92	0.53	609591	1.21
20001-30000	37	0.21	444775	0.88
30001-40000	7	0.04	121901	0.24
40001-50000	10	0.06	225405	0.45
50001-100000	11	0.06	373617	0.74
100001 & above	13	0.07	43760961	87.04
<b>TOTAL</b>	<b>17421</b>	<b>100.00</b>	<b>50276013</b>	<b>100</b>



#### 10.11 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 267F01024.

As on March 31, 2011 49799765 being 99.05% of the total Equity Shares Capital are in dematerialized form with NSDL/CDSL.

#### 10.12 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 PUDUCHERRY
Specialty Starch unit	Plot No 145, SEZ Road Machenahalli Industrial Area, Nidige Post, Shimoga - 577222 KARNATAKA

#### 10.13 ADDRESS FOR CORRESPONDENCE

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

#### 11. 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.

**For & on behalf of the Board**

**Place : Thiruvananthapuram  
Date : 27-4 -2011**

**Sd/-  
KARAN THAPAR  
Chairman**

**EXECUTIVE DIRECTOR AND CFO CERTIFICATION**

We, Rahul Gupta, Executive Director and S.K. Jain, Sr. Vice President (Corporate Finance, Accounts & Administration), responsible for the finance function certify that :

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2011 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 statement, 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 31st March, 2011 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 : Thiruvananthapuram  
Date : 27-04-2011

Sd/-  
Rahul Gupta  
Executive Director

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

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**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members  
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 on March 31, 2011, as stipulated in clause 49 of the listing agreement of the Company with the stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance as stipulated in said clause. 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, and as per representations made by Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We further 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.

For **Walker, Chandio & Co**  
**Chartered Accountants**  
Firm Registration No: 001076N

Sd/-  
per **David Jones**  
**Partner**  
Membership No. 98113

Place : Thiruvananthapuram  
Date : April 27, 2011



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### I OVERALL VIEW

1. The Indian economic growth accelerated to 8.5% with notable growth in agriculture, food, paint and packaging industry segments. Textile segment faced stagnation. Consequently, the Starch Business has shown buoyancy in revenue. However, the prolonged monsoon has acted as dampener to mining activity, resulting in zero growth in the Clay Business. The growth momentum for Clay Business is expected to revive during 2011-12.
2. Net Sales turnover increased to ₹ 355 Cr. showing a growth of 6% over the previous year. EBIDTA and PAT at ₹ 71 cr and ₹ 30 cr respectively, showed no improvement over the previous year.
3. Various project commissioned during the second half of FY 2010-2011 have achieved the additional capacity/benefits as envisaged by the Company. These includes:
  - a. Corn grinding capacity increased from 175 TPD to 200 TPD.
  - b. Capacity increase for modified starches.
  - c. Capacity increase for VAP Grades in Clay.
  - d. Infrastructure & process improvements at all the manufacturing plants.
4. The Speciality Starch Project at Shimoga, which was put on hold during 09-10 due to global economic recession, has been revived during FY 2010-11. The phase 1 of the project is under commissioning and will commence commercial production in Q1 of 2011-12
5. The Company's R&D Unit continued to play a stellar role in defining the business through new product development, application support to customers, and technical support to plant operations. The notable achievements have been the development of Starches for Pharma application, development of de-lamination and bleaching technology for up-gradation of clay matrix quality, and the commercialization of nano clays for specific niche applications.
6. The Enterprise Application ECC 6.0 from SAP (the world-wide leader in ERP) commissioned in 2007, is operating efficiently and has been extended to cover all 8 modules at all locations. The back-up Disaster Recovery Server has been installed at a third party data centre at Noida.
7. The 3 year Business Plan for the period 2011-12 onwards has been drawn up. It envisages doubling of the turnover and commensurate increase in profitability. Main thrust is on new products developed by R&D, sale of value added products and exports. A Greenfield expansion for the clay business is also planned.

### II SEGMENT-WISE BUSINESS PERFORMANCE

	2009-10 (₹ in crores)			2010-11 (₹ in crores)		
	CLAY	STARCH	TOTAL	CLAY	STARCH	TOTAL
Net Sales	178.45	158.01	336.46	189.43	165.81	355.24
EBIDTA	59.61	12.60	72.21	55.19	16.51	70.70
EBIT	52.40	8.58	60.98	47.45	12.51	59.96

The cash unallocable expenses for the year were ₹ 1.60 crores as against ₹ 2.26 crores in the previous year. The income from sale of mined out land of ₹ 0.57 crore in F.Y. 2010-11 has not been considered in figures above.

### **III CLAY**

1. During the financial year under review, the sales volumes were lower due to extended monsoon in southern India which affected the mining operations. Sales of the clay business registered a marginal growth in turnover mainly due to better realization and focus on sale of value added hydrous and calcined clay. The lower operating margins are mainly due to increase in the cost of fuel and chemicals, as also the cost of mining activity.
2. R&D continued to provide application support to customers and also focus on new product development.

### **IV STARCH**

1. The Starch Operations comprising of Units at Yamunanagar and Puducherry registered a growth of 5% in net sales turnover. The operating margins also improved due to buoyant demand for the products and higher sale of value-added Modified Starches.
2. The global slowdown in Oil Well Exploration and in exports from the Indian Textile Industry continued. The former impacted our exports, and the latter resulted in lower domestic off-take, and consequently price realization.
3. There was continued focus on sale of modified starches and on operational efficiency improvements.

### **V INTERNAL CONTROL SYSTEMS**

The Company has a structured system of internal controls to ensure compliance with applicable statutory laws and regulations as also internal policies. The Company has in place the following mechanism:

- a. Monthly and Quarterly Reviews of each Division's performance by Senior and Top Management.
- b. Biannual Internal Audits of all Divisions.
- c. Quarterly Review of efficacy of Internal Audits and Company performance by the Audit Committee of the Board.
- d. Regular reporting to the Board on investor related matters as well as fulfillment of SEBI Listing Agreement requirements and other Corporate Laws.
- e. All Units are linked and operating on SAP ERP.
- f. All Divisions continued to be certified for ISO 9001:2000 compliance and Yamunanagar Starch division is also certified for Operational HACCP Specification MI-H02.

### **VI HUMAN RESOURCES**

During the year under review, HR team has continued its thrust towards achieving strategic goals. These includes:

1. Recruiting and retaining bright young managers, including the revival of the GET/MT Schemes.
2. Initiating competency mapping and organizing training programmes around this framework.
3. Accelerating the development of leadership and functional capabilities of the management staff.



## **VII CORPORATE SOCIAL RESPONSIBILITY**

1. The Company has a well defined approach towards environment protection and social responsibility.
2. The rain Water Harvesting Scheme of the Company at Thonnakkal Continues to operate most efficiently. Water from the scheme is provided free of cost to neighbouring villages around the Thonnakkal Mines through pipelines and water tankers.
3. The Company also regularly conducts Medical Campus for the Villages around the various Mines and factories.

## **VIII RISKS AND CONCERNS**

1. The Company's risk profile is reviewed bi-annually by a Risk Audit Committee comprising of three Board Members.
2. The Clay business is sensitive to energy prices since the business is energy intensive. Various efficiency and process improvement projects are under implementation in order to reduce the energy consumption.
3. There is also general public hostility to Mining. The Company needs to be careful about protection of the environment and of not depleting the ground water table.
4. The Rupee appreciation is a cause of some concern since the Company is a net forex earner. The combination of nature hedging, and purchasing protection where appropriate, are continuing to be practice.
5. The Starch business could be impacted by abnormal increase in Maize and Tapioca prices. The continuous migration towards value added modified Starches, to some extent, mitigates this risk.
6. The Company Management is confident of handling the above risk in the business, and the overall outlook for F.Y. 2011-2012 is positive.

## **IX 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 (the 'Company') as at March 31, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to 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 financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
    - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandio & Co**  
Chartered Accountants  
Firm Registration No. 001076N

Sd/-  
per **David Jones**  
**Partner**  
Membership No. 98113

**Place:** Thiruvananthapuram  
**Date:** April 27, 2011



**Annexure to the Auditor's Report of even date to the members of English Indian Clays Limited on the financial statements for the year ended March 31, 2011 (Cont'd)**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory (excluding inventory lying with consignment agents aggregating to ₹ 495,079) has been physically verified during the year by the management. The Company has obtained confirmation from the consignment agents with respect to the inventory lying with them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.
- (b) The Company has taken unsecured loans from parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ₹ 22,396,000 and the year-end balance was ₹ 21, 644,000.
- (c) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the company.
- (d) In respect of loans taken, repayment of principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion, 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 and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the Company's products. Accordingly, the provisions of clause 4 (viii) of the Order are not applicable.

(ix) (a) The Company is generally 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, custom duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess, etc. on account of dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses claimed relating to lease transactions	₹ 38, 171,395	AY 1996-1997	High Court of Kerala
Income Tax Act, 1961	Disallowance of adjustment of brought forward losses	Refer Note 3(a) on Schedule 24	AY 1998-1999	Income Tax Appellate Tribunal referred back the case to Assessing officer for reassessment
Income Tax Act, 1961	Non deduction of tax on commission paid on export sales	₹ 733, 590	AY 2004-2005	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Non deduction of tax on commission paid on export sales	₹ 668, 551	AY 2005-2006	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Non deduction of tax on commission paid on export sales	₹ 701, 603	AY 2006-2007	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Disallowance of expenses	₹ 2,563,710	AY 2007-2008	Income Tax Appellate Tribunal
Central Excise Act, 1944	Misclassification of maize starch	₹ 62,987,596*	April 1, 1997 to December 18,2001	CESTAT, New Delhi
Central Excise Act, 1944	MODVAT claimed on lubricant and transformer oil	₹ 54, 905, 715 Refer note 4 on schedule 24	Year 2000 to 2004	CESTAT, New Delhi
Central Excise Act, 1944	MODVAT claimed on lubricant and transformer oil	₹ 51, 222, 640# Refer note 4 on schedule 24	Year 2000 to 2004	CESTAT, New Delhi

\* Net of amount paid under protest ₹ 507,000

# Net of amount paid under protest ₹ 1,241,379



- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to banks. The Company has no dues payable to financial institutions or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the bases of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by subsidiaries from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period covered by our audit except a case of theft at head office of the Company involving some assets aggregating to ₹ 266, 678 has been reported to us by the management. As further informed to us, the Company has taken adequate follow up action, including strengthening of systems.

for **Walker, Chandio & Co**  
Chartered Accountants  
Firm Registration No.001076N

Sd/-  
per **David Jones**  
**Partner**  
Membership No. 98113

Place : Thiruvananthapuram  
Date : April 27, 2011

## BALANCE SHEET AS AT MARCH 31, 2011

	Schedule	As At March 31, 2011 ₹	As At March 31, 2010 ₹
<b>I. Sources of funds</b>			
<b>Shareholders' funds</b>			
Share capital	1	400,552,026	344,689,790
Reserves and surplus	2	1,050,419,019	899,322,300
<b>Loan funds</b>			
Secured loans	3	976,601,609	816,750,471
Unsecured loans	4	284,078,000	254,811,000
<b>Deferred tax liability (net)</b> (Refer note 13 on schedule 23 and note 7 on Schedule 24A)		203,680,112	190,880,572
		<b>2,915,330,766</b>	<b>2,506,454,133</b>
<b>II. Application of funds</b>			
<b>Fixed assets</b>			
Gross block	5	2,871,767,077	2,704,870,736
Less : Accumulated depreciation/amortisation		848,288,216	736,670,335
Net block		<b>2,023,478,861</b>	<b>1,968,200,401</b>
Capital work in progress		337,361,421	145,084,798
Investments	6	500,000	500,000
<b>Current assets, loans and advances</b>			
Inventories	7	366,203,484	295,016,299
Sundry debtors	8	460,420,932	381,822,340
Cash and bank balances	9	60,730,059	67,881,826
Other current assets	10	1,526,602	1,377,881
Loans and advances	11	178,924,258	138,263,510
		<b>1,067,805,335</b>	<b>884,361,856</b>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	12	391,419,375	354,871,681
Provisions	13	122,395,476	136,821,240
		<b>513,814,851</b>	<b>491,692,921</b>
<b>Net current assets</b>		<b>553,990,484</b>	<b>392,668,934</b>
		<b>2,915,330,766</b>	<b>2,506,454,133</b>
Statement on significant accounting policies	23		
Notes to the financial statements	24		

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.

For Walker, Chandio & Co  
Chartered Accountants  
Sd/-  
David Jones  
Partner

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

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

Sd/-  
Rahul Gupta  
Executive Director

Sd/-  
Karan Thapar  
Chairman

Thiruvananthapuram  
April 27, 2011



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	Year Ended March 31, 2011 ₹	Year Ended March 31, 2010 ₹
<b>Income</b>			
Gross sales	14	3,661,982,990	3,427,182,327
Less : Excise duty		109,601,889	62,570,883
		<u>3,552,381,101</u>	<u>3,364,611,444</u>
Other income	15	26,040,149	17,203,974
Increase in stock	16	4,795,069	1,518,021
		<u>3,583,216,319</u>	<u>3,383,333,439</u>
<b>Expenditure</b>			
Manufacturing and mining expenses	17	2,291,677,318	2,110,932,635
Payment to and provisions for employees	18	313,301,162	317,576,294
Administration and other expenses	19	137,202,782	131,270,632
Selling & distribution expenses	20	120,536,727	111,268,684
Research & development expenses	21	13,278,804	12,830,110
		<u>2,875,996,793</u>	<u>2,683,878,355</u>
<b>Profit before interest, depreciation/ amortization and tax</b>		<u>707,219,526</u>	<u>699,455,084</u>
Interest (net)	22	129,778,256	135,924,744
<b>Profit before depreciation/amortization and tax</b>		<u>577,441,270</u>	<u>563,530,340</u>
Depreciation/amortisation	5	123,636,870	118,505,950
<b>Profit before tax</b>		<u>453,804,400</u>	<u>445,024,390</u>
<b>Tax expense</b>			
(Refer note 13 on Schedule 23 and note 7 on Schedule 24A)			
Current tax			
- Current year		138,000,000	139,100,000
- Prior years		(900,388)	887,608
Deferred tax		12,799,540	10,935,215
<b>Profit after tax</b>		<u>303,905,248</u>	<u>294,101,567</u>
Balance brought forward from previous year		363,623,332	183,250,950
<b>Profit available for appropriation</b>		<u>667,528,580</u>	<u>477,352,517</u>
<b>Appropriations</b>			
Interim dividend			
- Preference shares		16,500,000	13,750,000
- Equity shares		25,138,007	22,344,895
Proposed dividend			
- Preference shares		16,500,000	13,750,000
- Equity shares		25,138,007	22,344,895
Corporate dividend tax		13,670,279	12,129,238
Transfer to general reserve		30,390,525	29,410,157
Balance carried to balance sheet		<u>540,191,762</u>	<u>363,623,332</u>
		<u>667,528,580</u>	<u>477,352,517</u>
<b>Earnings per share (₹)</b>			
(Refer note 15 on Schedule 23 and note 6 on Schedule 24A)			
- Basic		5.28	5.21
- Diluted		5.23	3.83

Statement on significant accounting policies

23

Notes to the financial statements

24

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.

For Walker, Chandiook & Co  
Chartered Accountants  
Sd/-  
David Jones  
Partner

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

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

Sd/-  
Rahul Gupta  
Executive Director

Sd/-  
Karan Thapar  
Chairman

Thiruvananthapuram  
April 27, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	Year ended March 31, 2011 ₹	Year ended March 31, 2010 ₹
<b>A. Cash flow from operating activities:</b>		
Net profit before tax	453,804,400	445,024,390
Adjustments for:		
Depreciation	123,636,870	118,505,950
Interest expense	131,995,206	138,550,989
Interest income	(2,216,950)	(2,626,245)
Unrealised exchange fluctuation	(611,533)	1,209,456
(Profit)/loss on sale of fixed assets (net)	(1,603,496)	2,464,621
Debts / advances written off	-	2,062,158
Provision for bad & doubtful debts/advances	6,982,959	10,704,003
Liability no longer required written back	(4,027,265)	(1,446,743)
Government grant	(267,818)	(394,819)
	<b>707,692,373</b>	<b>714,053,760</b>
<b>Operating profit before working capital changes</b>		
<b>Adjustments for changes in working capital :</b>		
- Movement in sundry debtors	(79,091,681)	(74,068,584)
- Movement in other receivables	(40,660,748)	9,236,511
- Movement in inventories	(71,187,185)	(17,544,273)
- Movement in trade and other payables	20,079,410	(7,294,390)
	<b>536,832,169</b>	<b>624,383,025</b>
<b>Cash generated from operations</b>		
- Direct taxes paid	(137,028,773)	(125,778,429)
	<b>399,803,396</b>	<b>498,604,596</b>
<b>Net cash generated from operating activities</b>		
<b>B. Cash flow from Investing activities:</b>		
Additions to fixed assets and capital work in progress	(392,243,526)	(110,196,018)
Proceeds from Sale of fixed assets	16,776,734	716,711
Fixed deposits pledged with bank (net)	(12,502,600)	3,810,967
Dividend Account	(395,608)	(268,460)
Interest received	2,068,229	2,607,140
	<b>(386,296,771)</b>	<b>(103,329,660)</b>
<b>Net cash used in investing activities</b>		
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of Preference Share Capital	-	10,000,000



	Year ended March 31, 2011 ₹	Year ended March 31, 2010 ₹
Proceeds from long term borrowings		
- Receipts	350,000,000	200,000,000
- Payments	(248,326,000)	(456,936,000)
Proceeds from public deposits (Net) and divisional accounts	14,267,000	11,423,000
Proceeds from unsecured loans/ Inter corporate deposit (net)	15,000,000	25,000,000
Proceeds from cash credits (net) / working capital demand loan	58,941,829	54,830,027
Interest paid	(133,191,782)	(138,737,706)
Dividend paid	(77,337,184)	(69,334,776)
Dividend tax paid	(12,910,464)	(11,801,292)
<b>Net cash used in financing activities</b>	<b>(33,556,601)</b>	<b>(375,556,747)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(20,049,976)</b>	<b>19,718,189</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>57,725,669</b>	<b>38,007,480</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>37,675,693</b>	<b>57,725,669</b>

#### Cash and cash equivalents comprise

Cash [including cheques in hand of ₹ 1,073,689 (previous year ₹ Nil)	2,896,034	1,407,498
Savings account with post office	272	272
Deposit accounts (other than pledged)	11,048,552	14,252,373
Balance with scheduled banks in current accounts	23,730,835	42,065,526
	<b>37,675,693</b>	<b>57,725,669</b>

#### Notes :

- 1 Figures in brackets indicate cash outgo.
- 2 The statement on significant accounting policies (Schedule 23) and notes to the financial statements (Schedule 24) form an integral part of the cash flow statement.

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

For Walker, Chandio & Co  
Chartered Accountants  
Sd/-  
David Jones  
Partner

Thiruvananthapuram  
April 27, 2011

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

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

Sd/-  
Rahul Gupta  
Executive Director

Sd/-  
Karan Thapar  
Chairman

<b>Schedule 1: Share Capital</b>	<b>As at March 31, 2011 ₹</b>	<b>As at March 31, 2010 ₹</b>
<b>Authorised Share Capital</b>		
90,000,000 (2009-10: 8,000,000) equity shares of ₹ 2/- (2009-10: ₹ 10/-) each	180,000,000	80,000,000
3,000,000 (2009-10: 3,000,000) preference shares of ₹ 100/- each	300,000,000	300,000,000
	<u>480,000,000</u>	<u>380,000,000</u>
<b>Issued, Subscribed &amp; Paid Up</b>		
50,276,013 (2009-10 : 4,468,979) Equity Shares of ₹ 2/- (2009-10 : ₹ 10/-) each fully paid up	100,552,026	44,689,790
3,000,000 (2009-10 : 3,000,000) 11% Cumulative Redeemable Preference shares of ₹ 100/- each fully paid up	300,000,000	300,000,000
	<u>400,552,026</u>	<u>344,689,790</u>

**Notes :**

- 150,000 (2009-10 : 150,000) equity shares of ₹ 10 /- each were allotted as fully paid up shares pursuant to a contract without payments being received in cash.
- 1,510,450 (2009-10 : 1,510,450) equity shares of ₹ 10/- each were allotted as fully paid up by way of bonus shares by utilising share premium account.
- 800,000 (2009-10 : 800,000) equity shares of ₹ 10/- each were allotted upon conversion of partly convertible Debentures.
- 528,079 (2009-10 : 528,079) equity shares of ₹ 10/- each were allotted at par as fully paid up to the shareholders of erstwhile Bharat Starch Industries Limited and 120,000 (2009-10 : 120,000) equity shares allotted to a creditor as fully paid up at a premium of ₹ 40/- per share pursuant to the scheme of re-organisation by way of arrangement, amalgamation and reconstruction.
- During the year, the equity shares of the Company have been sub divided into 5 (five) equity shares of ₹ 2/- each fully paid up against 1 (one) equity share of ₹ 10/- each fully paid up.
- During the year, the Company has issued 27,931,118 equity shares of ₹ 2/- each fully paid up in the ratio of 5:4 i.e. 5(five) equity shares of ₹ 2/- each for every 4(four) equity shares of ₹ 2/- each fully paid up to the shareholders of the Company as bonus issue.
- 11% Cumulative Redeemable Preference shares are redeemable at par at the option of the Company not earlier than 18 months but not later than 5 years from the date of allotment 04.09.2006 and 01.10.2009 for ₹ 200,000,000 and ₹ 100,000,000 respectively, i.e. between 04.03.2008 to 04.09.2011 and 31.03.2011 to 30.09.2014 respectively.

**Schedule 2 : Reserves and Surplus**

<b>Capital Reserve</b>	633,688	633,688
<b>Capital Redemption Reserve</b>		
Balance as per last year	100,000,000	100,000,000
Adjusted against issue of bonus shares	55,862,236	-
Balance at the end of the year	<u>44,137,764</u>	<u>100,000,000</u>
<b>General Reserve</b>		
Balance as per last year	435,065,280	405,655,123
Transferred from profit & loss account during the year	30,390,525	29,410,157
Balance at the end of the year	<u>465,455,805</u>	<u>435,065,280</u>
<b>Profit &amp; Loss Account</b>	540,191,762	363,623,332
	<u>1,050,419,019</u>	<u>899,322,300</u>



	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>Schedule 3 : Secured Loans</b>		
(Refer Note 12 on Schedule 23)		
<b>Loans from Banks</b>		
- Cash credit account with scheduled banks	94,101,609	95,159,780
- Working capital demand loans	200,000,000	140,000,000
- Interest accrued & due on above	-	764,691
- Rupee term loans#	682,500,000	580,826,000
	<u>976,601,609</u>	<u>816,750,471</u>

# Includes Rs 120,000,000 (2009-10 : ₹ 210,000,000) borrowed from a bank and is convertible into equity shares in case of default.

**Notes:**

- 1 Cash credit and working capital 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 and book debts at Yamunanagar, Pondicherry and Thiruvananthapuram factories and second pari passu charge on block of fixed assets of the Company.
- 2 Term loans from Banks 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 The amount falling due for repayment within a year (excluding cash credit and working capital demand loans) aggregating to ₹ 323,750,000 (2009-10 : ₹ 248,326,000)

**Schedule 4 : Unsecured Loans**

(Refer Note 12 on Schedule 23)

Public deposits	144,078,000	129,811,000
Short term loans		
- From banks	90,000,000	75,000,000
Other loans		
- Inter corporate deposit*	50,000,000	50,000,000
	<u>284,078,000</u>	<u>254,811,000</u>

**Notes :**

- 1 Public deposits held by Directors 1,500,000 | 322,000 |  - 2 Public Deposits repayable within one year 104,412,000 | 71,618,000 |
- \* Amount Falling due within one year ₹ Nil (2009-10: ₹ 50,000,000)

**SCHEDULE 5 : FIXED ASSETS**  
(Refer Note 2 & 3 on Schedule 23 and Note 5 on Schedule 24A)

Particulars	Gross Block			Depreciation/ Amortisation			Net Block		
	Opening Balance	Additions during the year	Sale/ adjust-ments	Upto March 31, 2011	For the year	Sale/ adjust-ments	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
<b>Tangible assets</b>									
Land & site development	15,040	-	-	15,040	-	-	15,040	-	-
Leasehold	542,449,248	48,307,792	6,145,272	584,611,768	-	-	21,293	584,590,475	542,427,955
Freehold									
Factory & other buildings	346,684,503	22,691,426	6,158,000	363,217,929	10,065,988	3,284,320	69,082,785	294,135,144	284,383,386
Plant & machinery	1,669,794,508	118,888,785	9,321,563	1,779,361,730	97,986,113	5,381,436	663,957,586	1,115,404,144	1,098,441,599
Furniture, fixtures & office equipment	30,748,082	2,658,248	2,304,705	31,101,625	2,861,863	1,823,045	19,214,970	11,886,655	12,571,930
Leasehold improvements	6,250,000	-	-	6,250,000	348,139	-	5,688,237	561,763	909,902
Vehicles & cycles	25,122,032	1,511,131	3,262,686	23,370,477	2,324,123	1,530,188	10,085,172	13,285,305	15,830,795
<b>Intangible assets</b>									
Technical know-how/ brand	67,118,471	-	-	67,118,471	6,711,850	-	67,118,471	-	6,711,850
Computer software/ licence fees	16,688,852	31,185	-	16,720,037	3,338,794	-	13,104,662	3,615,375	6,922,984
<b>Total</b>	<b>2,704,870,736</b>	<b>194,088,567</b>	<b>27,192,226</b>	<b>2,871,767,077</b>	<b>123,636,870</b>	<b>12,018,989</b>	<b>848,288,216</b>	<b>2,023,478,861</b>	<b>1,968,200,401</b>
Previous year	2,645,066,128	65,177,852	5,373,244	2,704,870,736	118,505,950	2,191,912	736,670,335	1,968,200,401	
Capital work in progress								<b>337,361,421</b>	<b>145,084,798</b>

**Notes :**

- Capital Work In Progress includes capital advances ₹ 25,064,205 (2009-10 : ₹ 9,585,598) net of provision of ₹ 16,078,336 (2009-10: ₹ 10,200,000)
- Additions include additions to research & development assets amounting to ₹ 5,432,014 (2009-10: ₹ 2,310,157) and depreciation charge for the year includes ₹ 1,943,239 (2009-10 : ₹ 1,804,160) on account of research & development assets.



### Schedule 6 : Investments

(Refer Note 4 on Schedule 23)

	Balance as on April 1, 2010			Additions during the year			Balance as on March 31, 2011		
	No of Shares	Face Value ₹	Book Value ₹	No of Shares	Face Value ₹	Book Value ₹	No of Shares	Face Value ₹	Book Value ₹
<b>TRADE INVESTMENTS</b>									
<b>LONG TERM</b>									
SHARES									
- UNQUOTED									
Kerala Enviro Infrastructures Limited	50,000	10	500,000	-	-	-	50,000	10	500,000
			500,000			-			500,000

### Schedule 7 : Inventories

(Refer Note 6 on Schedule 23)

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>Raw Materials</b>	188,539,976	151,273,127
<b>Stores and Spares</b>	94,065,017	64,939,750
Includes stores & spares in transit ₹ 4,734,064 (2009-10 : ₹ 2,299,150)		
<b>Stock - In - Process</b>		
Clay, Starch & Allied Products	31,837,181	19,329,395
<b>Finished Goods</b>		
Clay, starch & allied products	49,840,602	55,936,333
By products & others	1,920,708	3,537,694
	<b><u>366,203,484</u></b>	<b><u>295,016,299</u></b>

### Schedule 8 : Sundry Debtors

#### Debts outstanding for a period exceeding six months

Considered good, unless otherwise stated

- Secured	96,145	122,101
- Unsecured	2,895,208	4,078,125
Considered doubtful	10,477,408	9,374,653
<b>Other debts</b>		
Considered good		
- Secured	811,092	1,124,551
- Unsecured	456,618,487	376,497,562
	<u>470,898,340</u>	<u>391,196,992</u>
Less : Provision for bad & doubtful debts*	10,477,408	9,374,653
	<b><u>460,420,932</u></b>	<b><u>381,822,340</u></b>

\* Net of ₹ 1,868 (2009-10 : ₹ 3,299,095) written off against provisions and ₹ Nil (2009-10 : ₹ 125,000) received against provisions during the year.

<b>Schedule 9 : Cash and bank balances</b>	<b>As at March 31, 2011 ₹</b>	<b>As at March 31, 2010 ₹</b>
Cash [Including cheques in hand of ₹ 1,073,689 (2009-10 : ₹ Nil)]	2,896,034	1,407,498
Savings account with post office (Pledged as security)	272	272
With scheduled banks in:		
- Current accounts	23,730,835	42,065,526
- Dividend account	2,299,097	1,903,488
- Fixed deposit accounts*	31,803,821	22,505,042
	<u>60,730,059</u>	<u>67,881,826</u>

\* Represents monies held against public deposits and includes ₹ 20,755,269 (2009-10 : ₹ 8,252,669) pledged with banks, for issuance of bank guarantee and Letter of credits, and with Government Authorities.

#### **Schedule 10 : Other current assets**

##### **Unsecured-considered good**

Interest accrued but not due		
- On deposits	<u>1,526,602</u>	<u>1,377,881</u>
	<u>1,526,602</u>	<u>1,377,881</u>

#### **Schedule 11 : Loans and advances**

Unsecured - considered good unless otherwise stated

Advances recoverable in cash or in kind  
or for value to be received\*

Considered good	50,603,435	38,552,965
Considered doubtful	13,712,588	13,712,588
Balances with the excise and sales tax authorities	77,200,261	48,589,983
Deposit with income tax authorities	50,420,562	50,420,562
Advance tax paid for fringe benefit tax (net)	700,000	700,000
	<u>192,636,846</u>	<u>151,976,098</u>
Less: Provision for doubtful advances	13,712,588	13,712,588
	<u>178,924,258</u>	<u>138,263,510</u>

\* Amounts Due from Companies under the same Management;

- DBH International Private Limited	5,000,000	5,000,000
- Bharat Starch Products Limited	200,000	200,000
- Premium Transmission Ltd.	987,564	-



<b>Schedule 12 : Current liabilities</b>	<b>As at</b>	<b>As at</b>
(Refer note 12 on Schedule 24A)	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	₹	₹
Sundry creditors*		
- Due to Micro, Small & Medium Enterprises	4,240,038	3,099,529
- Total outstanding dues to units other than Micro, Small & Medium Enterprises	342,555,292	314,714,767
Advance from customers	14,261,525	7,218,984
Other liabilities	15,377,802	12,845,099
Unclaimed dividend	2,247,640	1,851,922
Unclaimed matured public deposits	573,000	1,595,000
Interest accrued & due on unpaid matured public deposits	157,142	225,353
Book overdraft	-	682,599
Interest accrued but not due on loans	8,358,932	8,722,606
Deferred government grants	3,648,004	3,915,822
	<b><u>391,419,375</u></b>	<b><u>354,871,681</u></b>

\* Includes ₹ 36,550,006 (2009-10 : ₹ 7,253,654) on capital account.

### Schedule 13 : Provisions

(Refer Note 7 & 18 on Schedule 23)

Provision for current tax (net)	12,930,431	12,859,592
(Net of advance tax paid including tax deducted at source of ₹ 126,875,146 ; 2009-10 : ₹ 125,778,429)		
Provision for wealth tax	125,000	200,000
Proposed dividend (including tax on dividend ₹ 6,754,725; 2009-10: ₹ 5,994,911)	48,392,732	42,089,806
Provision for gratuity	28,378,547	44,427,147
Provision for leave encashment	32,568,766	37,244,695
	<b><u>122,395,476</u></b>	<b><u>136,821,240</u></b>

### SCHEDULE 14 : Sales

(Refer Note 11 on Schedule 23)

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	₹	₹
Clay, starch & allied products	3,463,090,242	3,242,777,569
By products & others	198,892,748	184,404,758
	<b><u>3,661,982,990</u></b>	<b><u>3,427,182,327</u></b>

	Year Ended March 31, 2011	Year Ended March 31, 2010
	₹	₹
<b>Schedule 15 : Other Income</b>		
(Refer Note 10 and 11 on Schedule 23)		
Liabilities no longer required written back	4,027,265	1,446,743
Exchange fluctuation (net)	2,738,828	-
Government grants	267,818	394,819
Miscellaneous income	17,402,742	15,362,412
Profit on sale of fixed assets (net)	1,603,496	-
	<u>26,040,149</u>	<u>17,203,974</u>

#### Schedule 16 : Increase/(decrease) in stocks

<b>Opening Stock</b>		
Finished goods	59,474,027	54,733,876
Stock in process	19,329,395	22,551,525
	<u>78,803,422</u>	<u>77,285,401</u>
<b>Closing Stock</b>		
Finished goods	51,761,310	59,474,027
Stock in process	31,837,181	19,329,395
	<u>83,598,491</u>	<u>78,803,422</u>
<b>Increase/(decrease) in stocks</b>	<u>4,795,069</u>	<u>1,518,021</u>

#### Schedule 17 : Manufacturing and mining expenses

Raw material consumed	1,031,779,187	1,025,915,234
Clay mining & processing expenses*	103,938,574	80,160,477
Stores & spares consumed	360,849,030	294,090,199
Power & fuel	694,161,866	612,891,882
Repairs & maintenance		
-Plant & machinery	67,186,351	60,953,320
-Buildings	3,146,221	5,001,672
-Others	8,583,467	6,835,099
Other manufacturing expenses	11,068,771	12,697,667
Increase in excise duty on Finished goods	1,106,891	300,606
Royalty	9,856,960	12,086,479
	<u>2,291,677,318</u>	<u>2,110,932,635</u>

\* Clay mining and processing expenses include overburden removal, transportation of clay matrix, excavator expenses and sand removal expenses.



	Year Ended March 31, 2011 ₹		Year Ended March 31, 2010 ₹
<b>Schedule 18 : Payment to and provisions for employees</b>			
Salaries, wages, bonus, gratuity & leave encashment	287,154,807		280,249,221
Contribution to provident fund, superannuation fund and other funds	13,851,590		19,491,418
Workmen and staff welfare expenses	19,083,016		17,970,340
	<u>320,089,413</u>		<u>317,710,979</u>
Less : amount capitalised during the year	6,788,251		134,685
	<u><b>313,301,162</b></u>		<u><b>317,576,294</b></u>
<b>Schedule 19 : Administration and other expenses</b>			
Rent	17,133,063		15,864,746
Rates & taxes	4,700,354		4,800,813
Insurance	6,433,577		6,475,325
Directors' sitting fees	388,000		380,000
Exchange fluctuation (net)	-		731,689
Office & other expenses	69,385,606		60,583,783
Travelling & conveyance	25,658,146		20,695,213
Charity & donation	924,800		1,298,900
Bad debts/advances written off	1,868	5,361,253	
Less: Provisions for doubtful debts/advances written back	<u>1,868</u>	-	<u>3,299,095</u>
Provisions for doubtful debts/advances	6,982,959		10,704,003
Other financing charges	5,596,277		5,209,381
Loss on sale / write off of fixed assets (net)	-		2,464,621
	<u><b>137,202,782</b></u>		<u><b>131,270,632</b></u>
<b>Schedule 20 : Selling and distribution expenses</b>			
Packing & forwarding expenses	44,563,439		36,883,318
Commission to selling agents and others	39,657,375		40,591,422
Cash discount	11,984,001		12,664,234
Other selling expenses	24,331,912		21,129,710
	<u><b>120,536,727</b></u>		<u><b>111,268,684</b></u>
<b>Schedule 21 : Research and development expenses</b>			
(Refer Note 9 on Schedule 23)			
Salary & wages	7,998,334		8,708,377
Office & other expenses	5,280,470		4,121,733
	<u><b>13,278,804</b></u>		<u><b>12,830,110</b></u>

	Year Ended March 31, 2011	Year Ended March 31, 2010
	₹	₹
<b>Schedule 22 : Interest (net)</b>		
(Refer Note 11 and 12 on Schedule 23)		
Interest*		
- On fixed period loans	83,260,566	94,550,901
- Others	<u>53,649,101</u>	<u>44,000,088</u>
	136,909,667	138,550,989
Less : Amount capitalised during the year	4,914,461	-
<b>Interest</b>	<b><u>131,995,206</u></b>	<b><u>138,550,989</u></b>
Less: Interest received on deposits (gross)	2,216,950	2,626,245
(Tax deducted at source ₹ 302,767 ; 2009-10 : ₹ 178,429)		
	<b><u>129,778,256</u></b>	<b><u>135,924,744</u></b>

\* Includes amount paid or payable to Directors ₹ 81,275 (2009-10 : ₹ 35,065)

## SCHEDULE 23 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 to comply in all material aspects with all accounting principles in India, the applicable accounting standards notified u/s 211 (3C) of the Indian Companies Act, 1956 (the 'Act') and the relevant provisions of the Act.

### 2. Fixed assets

Fixed Assets (other than those which have been revalued), including capital spares, leasehold improvements, technical know how costs and research and development assets are stated at cost. Cost includes direct expenses related to acquisition and installation and interest incurred during construction period.

The revalued fixed assets are restated at their estimated current replacement values as on the date of revaluation as determined by the approved valuers.

Intangible assets are recognised if it is probable that the future economic benefits attributable to the asset will flow to the enterprise and cost of the asset can be measured reliably in accordance with Accounting Standard - 26, on 'Intangibles' as notified u/s 211 (3C) of the Act.

### 3. Depreciation/Amortization

#### a) Tangible fixed assets

Depreciation on fixed assets is provided as per straight line method at higher of the following

- Depreciation on original cost as specified in Schedule XIV to the Companies Act, 1956 or
- 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 costing ₹ 5,000 or less are fully depreciated in the year of addition.



Leasehold Land and Leasehold improvements are depreciated on a straight line method basis over the period of lease.

#### **b) Intangible assets**

Intangible assets including Technical Know-how/brand and computer software/ licence fee are amortized on straight line basis over their useful lives of 10 years and 5 years respectively from the date of acquisition / implementation. The amortization period and method are reviewed at each year end.

#### **4. Investments**

Long term Investments are valued at their acquisition cost. Decline, other than temporary, in the value of long term investments is recorded as a loss in the profit and loss account in the year such decline is determined.

#### **5. Impairment of assets**

All assets other than inventories, investments and deferred tax asset are reviewed for impairment in accordance with the applicable accounting standard wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets where carrying value exceeds the recoverable amount, are written down to the recoverable amount.

#### **6. Inventories**

Inventories, including stores and spare parts, 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 considered as raw material cost for Clay Matrix - mined. In respect of finished goods and work in progress, appropriate overheads are considered based on normal operating capacity. Cost of finished goods also includes excise duty if applicable.

#### **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) 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 by an approved Trust (to the extent employees covered under the 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.

In respect of employees, the Company makes specified monthly contribution towards the employees' provident fund to the provident fund trust administered by the Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on respective investments of the trust and the notified interest rate.

The contributions made to provident fund trust are charged to profit and loss account as and when they become payable. In addition, the Company recognizes liability for shortfall in the plan assets vis-a-vis the fund obligation, if any. The Guidance on implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company is unable to exhibit the related information.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account.

**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) 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 has taken gratuity policy with HDFC Insurance to cover the liability. The Company provides for the gratuity plan based on actuarial valuations in accordance with accounting Standard 15 (revised).

Actuarial gains and losses are recognized as and when incurred.

#### **(iii) Other employee benefits**

**Leave encashment** – The Company has recognized liability for short term compensated absences on full cost basis with reference to unavailed earned leaves at the year end. To the extent, the compensated absences qualify as a long term benefit, the Company has provided for the long term liability at year end as per the actuarial valuation using the Projected Unit Credit Method.

### **8. Foreign currency transactions**

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of the transaction. Exchange difference arising out of their settlement is dealt with in the profit and loss account. All monetary assets and liabilities denominated in foreign currency are restated at the year end rate and the exchange difference arising on such translation is recognized in the profit and loss account.

Obligations under 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 recognized 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.

### **9. Research & development expenses**

Revenue expenditure incurred on research and development is charged to profit and loss account in the year it is incurred. Capital expenditure is included in the respective heads under fixed assets and depreciation/ amortization thereon is charged to depreciation the profit and loss account.

### **10. Government grant**

Government grants relating to depreciable fixed assets are treated as deferred income and recognized in the profit and loss account over the remaining useful life of the related assets.

### **11. Revenue recognition**

- a) Revenue from Sale is recognised on despatch which generally coincides with the transfer of all significant risks and rewards of ownership and is stated net of trade discounts but is inclusive of excise duty, where applicable.
- b) Interest income is recognized on a time proportionate basis.



## **12. Borrowing costs**

Borrowing costs are charged to revenue except in cases where costs relate to qualifying assets in which case such costs are capitalized 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 recognized only if there is reasonable certainty that they will be realized 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 recognized as an expense in the profit and loss account on a straight line basis over the lease term.

## **17. Mine restoration**

The Company provides for the expenditure required to restore its mines based on technical and management's judgement on the future use of land and being reviewed annually.

## **18. Provisions & Contingencies**

A provision is recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood on outflow of resources is remote, no provision or disclosure is made.

**SCHEDULE 24**
**A. NOTES TO THE FINANCIAL STATEMENTS**

<b>1) Contingent liabilities</b>	<b>As at March 31, 2011 ₹</b>	<b>As at March 31, 2010 ₹</b>
a) Outstanding bank guarantees and letter of credits	35,724,935	23,117,579
b) Bills and cheques discounted	92,438,167	115,617,470
c) Indemnity bond countersigned by the Company and given to bank with respect to release of interest on deposit received by group companies	24,984,972	24,984,972
d) Excise & Sales-tax matters:		
i) Demand received from Commissioner of Central Excise, Panchkula on account of misclassification of plain maize starch against which stay has been granted by CESTAT, New Delhi (including penalty of ₹ 31,747,298; (2009-10: ₹ 31,747,298) against which an amount of ₹ 507,000 (2009-10: ₹ 507,000) deposited under protest. (Refer Note 4 below)	63,494,596	63,494,596
ii) Haryana Local Area Development Tax levied by the State Government on the goods received from other state, pending before Supreme Court of India against which an amount of ₹ 3,216,191 (2009-10: ₹ 3,216,191) deposited under protest.	3,216,191	3,216,191
iii) Entry tax levied by the Government of Kerala on Special Kerosene Oil (SKO), pending before Supreme Court of India against which an amount of ₹ 15,133,588 (2009-10: ₹ 15,133,588) deposited under protest.	15,133,588	15,133,588
e) Income tax matters (Refer Note 3 (c) & (d) below)	40,275,139	106,202,437
f) Claims against the Company not acknowledged as debts (amount to the extent ascertainable) amounts to :		
i) ₹ 5,082,186 (2009-10: ₹ 5,058,411) in respect of lease rent on lands acquired on lease for which the case is pending before the Hon'ble High Court of Kerala.		
<b>2) Estimated amounts of contracts remaining to be executed on Capital Account (Net of advances) ₹ 83,446,000 (2009-10: ₹ 243,780,768).</b>		
<b>3) a) Pursuant to an appeal filed with the Commissioner of Income Tax (Appeals), the Company received a favorable order allowing brought forward losses of ₹ 128,079,580 relating to erstwhile Bharat Starch Industries Limited (BSIL) (since merged with the Company w.e.f. 01.04.2001) for the assessment year 1998-99 from the Appellate authorities against which department had filed an appeal and the same has been sent back to the Department for re-assessment.</b>		
b) In respect of demand aggregating to ₹ 2,563,710 for the Assessment year 2007-08, raised by the 'Assesing Officer' disallowing certain expenses, the appeal filed before the Commissioner (Appeals), Thiruvananthapuram (Kerala) by the Company has been decided in favour of the Company, though the department has filed an appeal with Income tax appellate tribunal. Hence, no demand exists on date.		

- c) In respect of demand aggregating to ₹ 38,171,395 (including demand raised towards penalty of ₹ 24,853,455) for the Assessment year 1996-97 raised by the Assessing officer in view of order of Hon'ble High Court of Kerala disallowing certain expenses, a revised petition has been filed by the company with the Hon'ble High Court of Kerala for re-hearing the facts of the case.
- d) In respect of demands aggregating to ₹ 733,590, ₹ 668,551 and ₹ 701,603 for the Assessment years 2004-05, 2005-06 and 2006-07 respectively raised by the Assessing officer (International Tax), the Company has filed appeals with the CIT (Appeals).

Based on the above, the management is of the opinion that the appeals will be allowed in favour of the Company and hence no provision is required for the above.

- 4) Contingent liabilities with respect to excise and sales tax matters referred in Paragraph 1 (d) above excludes demands aggregating ₹ 107,369,734 for the year 2000 to 2004 relating to inputs used in manufacturing of excisable and as well as exempted goods and cenvat credit of service tax, pending with Central Excise and Service Tax Appellate Tribunal (CESTAT) were set aside and remitted to the relevant authorities for a fresh decision and revision in demand. Consequently amount deposited under protest amounting to ₹ 1,241,379 have been considered good and recoverable and no provision for the same has been considered necessary till the time demands are received by the Company amounts of contingent liabilities, if any, is presently not ascertainable.
- 5) i) Pursuant to the sale cum lease agreement dated 22.05.2008 the Company has acquired land for the purpose of setting up a starch manufacturing plant at Shimoga, Karnataka. The Company has paid an amount of ₹ 53,130,000 as allotment consideration and the land shall be transferred in the name of the Company on a freehold basis at end of 10 years, payment of registration charges, stamp duty at prevailing price upon fulfillment of certain conditions. As per agreement the Land has been transferred on lease basis to Company for the period of 10 years and Company is required to pay lease rent of ₹ 68,410 and maintenance charges of ₹ 99,600 per annum.
- ii) Expenses incurred on Shimoga Project are included in capital work in progress and include the following:

	<b>As at March 31, 2011 ₹</b>	<b>As at March 31, 2010 ₹</b>
Land Development and Boundary wall	71,088,635	66,159,958
Building and Civil Work	38,980,959	-
Plant & Machinery	110,858,863	-
Detailes engineering & project management	22,785,768	17,388,678
Personnel expenses	10,674,686	3,244,586
Travelling expenses	7,283,518	3,509,032
Administration and other expenses	3,639,572	219,884
Borrowing cost	4,914,461	-
Other capital advances	23,943,968	6,102,950
<b>Balance at the end of the year</b>	<b>294,170,430</b>	<b>96,625,088</b>

- iii) The Phase-I of the project is under commissioning and expected to commence commercial production shortly.

## 6) Earnings per Share

	March 31, 2011 ₹	March 31, 2010 ₹
<b>a) Weighted average number of equity shares</b>		
Number of equity shares at the beginning of the year	50,276,013	50,276,013
<b>b) Net profit after tax</b>	303,905,248	294,101,567
Less : Dividend on 11% cumulative redeemable preference shares (including tax)	38,417,156	32,102,915
<b>Net profit after tax available to equity shareholders</b>	<b>265,488,092</b>	<b>261,998,652</b>
<b>c) Potential number of equity shares at the end of the year</b>		
Total Number of equity shares as per (a) above	50,276,013	50,276,013
Number of Equity shares deemed converted at the beginning of the year	2,709,480	22,523,364
Potential diluted shares	52,985,493	72,799,377
<b>d) Net profit after tax available for potential equity shareholders</b>		
Net profit after tax available to equity shareholders	265,488,092	261,998,652
Income on dilutive potential equity shares (net of tax)	11,510,701	16,966,749
	<b>276,998,793</b>	<b>278,965,401</b>
<b>e) Basic EPS (₹)</b>	5.28	5.21
<b>f) Diluted EPS (₹)</b>	5.23	3.83
<b>g) Nominal Value of equity share (₹)</b>	2.00	2.00

### Notes

During the year the shares of the company have been sub divided into 5 (five) equity shares of ₹ 2/- each fully paid up against 1 (one) equity share of ₹ 10/- each fully paid up and also has issued 5(five) equity shares of ₹ 2/- each for every 4(four) equity shares of ₹ 2/- each fully paid up to the shareholders of the Company during the period end. Accordingly, the earnings per share of previous year have been restated.



7) Deferred Tax	Opening as at April 1, 2010	Charged/ (Credited) during the year	Closing as at March 31, 2011
	₹	₹	₹
<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.	227,202,942	3,732,795	230,935,737
	<b>227,202,942</b>	<b>3,732,795</b>	<b>230,935,737</b>
<b>Deferred tax assets</b>			
Employee benefits	27,514,340	(10,984,484)	16,529,856
Provision for doubtful debts and advances	6,502,210	2,113,801	8,616,011
Tax impact of other expenses charged in the financial statement but allowable as deductions in future years under income-tax	2,305,820	(196,062)	2,109,758
	<b>36,322,370</b>	<b>(9,066,745)</b>	<b>27,255,625</b>
<b>Net deferred tax (asset)/liability</b>	<b>190,880,572</b>	<b>12,799,540</b>	<b>203,680,112</b>

## 8) Segment Information

### A. Primary segment reporting (by business segments)

#### i. Composition of business segments

The Company's business segments are organised as under:

**Clay products:** Segment manufactures and supplies the clay products to various industries like paper, paint, rubber and fibreglass etc.

**Starch products:** 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.





**9) Lease Commitments:**

The Company has entered into leasing arrangements for office buildings and godown for storage of inventory that are cancelable at the option of the Company. Rent expense on account of cancelable leases for the year ended March 31, 2011 amounts to ₹ 17,133,063 (2009-10; ₹ 15,864,746).

**10) 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:**

Greaves Cotton Ltd, Premium Transmission Ltd,  
Pembrill Industrial & Engineering Co. Ltd,  
Greaves Leasing Finance Ltd,  
Bharat Projects Pvt Ltd,  
Dee Greaves Ltd, Standard Refinery & Distillery Ltd,  
Bharat Starch Products Ltd,  
Aravali Sports & Cultural Foundation,  
DBH Consulting Limited,  
DBH Investments Pvt. Ltd.,  
Greaves Farymann Diesel GmbH,  
Greaves Auto Ltd. And  
Greaves Cotton Netherlands B.V.

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

Mr. Karan Thapar - Chairman,  
Ms. Devika Thapar (Daughter of Mr. Karan Thapar),  
Mr. Karam Thapar (Son of Mr. Karan Thapar),  
Mr. B M Thapar, Ms. Sulochana Thapar,  
Mr. D. Kohli (upto March 31, 2010) ,  
Ms. Amita Kohli (Wife of Mr. D. Kohli) (upto March 31, 2010),  
Mr. Vikramaditya Kohli (Son of Mr. D. Kohli) (upto March 31, 2010),  
Ms. Jasbir Kohli (Mother of Mr. D. Kohli) (upto March 31, 2010),  
Mr. Rahul Gupta (Executive Director).  
Mr. S.K. Jain (Sr. Vice President Corporate Finance, Accounts & Administration),  
Mr. P.S. Saini (Company Secretary & Head Corporate Legal),

**a) Transactions with related parties**

	Enterprises which has significant influence over the company		Enterprises over which substantial shareholders of the Company and their relatives, have significant influence		Key management personnel & their relatives		Total
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	
	₹	₹	₹	₹	₹	₹	
<b>Purchase of Goods</b>							
DBH International Private Limited	14,351,965	13,588,567	-	-	-	-	13,588,567
Premium Transmission Limited	-	-	553,804	273,411	-	-	273,411
<b>Reimbursement of expenses</b>							
Premium Transmission Limited	-	-	12,298,130	-	-	-	12,298,130
<b>Advance for share</b>							
Karun Carpets Private Limited	-	10,000,000	-	-	-	-	10,000,000
<b>Issue of Preference shares</b>							
Karun Carpets Private Limited	-	100,000,000	-	-	-	-	100,000,000
<b>Receiving of services</b>							
Karun Carpets Private Limited	9,076,064	7,123,250	-	-	-	-	9,076,064
<b>Receipt of public deposit</b>							
Ms. Sulochana Thapar	-	-	-	-	-	15,000,000	15,000,000
Mr. Karam Thapar	-	-	-	-	-	2,100,000	2,100,000
Ms. Devika Thapar	-	-	-	-	-	1,700,000	1,700,000
Mr. Rahul Gupta	-	-	-	-	1,500,000	-	1,500,000
<b>Rent Paid</b>							
DBH International Private Limited	1,529,013	1,429,488	-	-	-	-	1,529,013
Bharat Starch Products Limited	-	-	1,601,556	1,455,960	-	-	1,601,556
<b>Security deposit refund</b>							
DBH International Private Limited	-	-	2,000,000	-	-	-	2,000,000

	Enterprises which has significant influence over the company		Enterprises over which substantial shareholders of the Company and their relatives, have significant influence		Key management personnel & their relatives			Total
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2009-10	
<b>Dividend paid on preference shares</b>								
DBH International Private Limited	22,000,000	22,000,000	-	-	-	-	22,000,000	22,000,000
Karun Carpets Private Limited	8,250,000	5,500,000	-	-	-	-	8,250,000	5,500,000
<b>Chairman Commission</b>								
Mr. Karan Thapar	-	-	4,687,563	4,792,519	4,687,563	4,792,519	4,687,563	4,792,519
<b>Sale of fixed assets</b>								
Bharat Starch Products Limited	-	-	3,233,410	-	-	-	3,233,410	-
<b>Remuneration</b>								
Mr. D. Kohli	-	-	-	11,201,077	-	11,201,077	-	11,201,077
Mr. S.K. Jain	-	-	3,916,248	3,029,035	3,916,248	3,029,035	3,916,248	3,029,035
Mr. P.S. Saini	-	-	2,250,992	2,034,517	2,250,992	2,034,517	2,250,992	2,034,517
Mr. Rahul Gupta	-	-	7,251,000	6,984,000	7,251,000	6,984,000	7,251,000	6,984,000
<b>Other expenses</b>								
Aravali Sports & Cultural Foundation	-	-	700,000	1,000,000	-	-	700,000	1,000,000
DBH Consulting Limited	-	-	-	-	718,400	-	718,400	-
Mrs. Sulochana Thapar	-	-	-	-	1,500,000	1,002,739	1,500,000	1,002,739
Mr. Karan Thapar	-	-	-	-	238,865	109,818	238,865	109,818
Ms. Devika Thapar	-	-	-	-	230,138	88,900	230,138	88,900
Mr. Rahul Gupta	-	-	-	-	90,306	-	90,306	-
Others	-	-	-	-	-	171,328	-	171,328

**Notes**

- Refer Note 1(c) for the bonds provided on behalf of erstwhile Shree Sitaram Sugar Co. Ltd. and Deoria Sugar Mills Ltd. now Standard Refinery & Distillery Ltd.

	March 31, 2011 ₹	March 31, 2010 ₹
<b>b) Outstanding Balances :</b>		
1. Associates which have significant influence over the company		
- DBH International Private Limited	5,000,000	5,000,000
- DBH International Private Limited	(7,121,664)	(2,656,093)
2. Enterprises, over which substantial shareholders of the company and their relatives, have significant influence		
- Bharat Starch Products Limited	200,000	200,000
- Premium Transmission Limited	987,564	Nil
3. Key Management Personnel & their relatives of key management		
- Mr. Karan Thapar	(4,687,560)	(4,792,519)
- Ms. Sulochana Thapar	(15,000,000)	(15,000,000)
- Mr. Karam Thapar	(2,510,000)	(2,726,000)
- Ms. Devika Thapar	(2,634,000)	(2,447,514)
- Mr. Rahul Gupta	(1,500,000)	Nil
- Mr. Vikramaditya Kohli	Nil	(474,434)

Figures in parenthesis denote credit balances



## 11) Employee benefits

During the year, the Company has recognized the following amounts in the profit and loss account.

### Defined contribution plans

	Year Ended March 31, 2011	Year Ended March 31, 2010
	₹	₹
Employer's contribution to provident fund *	14,266,821	13,020,911
Employer's contribution to superannuation fund *	342,738	6,397,606
Employer's contribution to ESI**	2,307,492	1,526,427

\* Included in contribution to provident and other funds (refer schedule 18)

\*\* Included in welfare expenses (refer schedule 18)

### Defined benefit plans

Company has defined benefit plan in terms of gratuity

a. The assumptions used to determine the Gratuity benefit obligations are as follows :

	Year Ended March 31, 2011	Year Ended March 31, 2010
Discount rate	8.00%	8.00%
Expected rate of increase in compensation levels	9.00%	9.00%

b. Reconciliation of opening and closing balances of benefit obligations:

Change in Projected Benefit Obligation (PBO)	Year Ended March 31, 2011	Year Ended March 31, 2010
	₹	₹
Projected benefit obligation	90,851,422	82,742,742
Current service cost	60,94,757	5,759,300
Interest cost	72,68,114	6,205,706
Benefits paid	(67,90,391)	(4,351,143)
Actuarial (gain) / loss	4,01,266	494,817
<b>Projected benefit obligation</b>	<b>97,825,168</b>	<b>90,851,422</b>

c. Reconciliation of fair value of assets :-

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
	₹	₹
Fair Value of Plan Assets	46,424,275	-
Expected return on plan assets	3,713,942	-
Contributions	26,790,391	49,351,143
Benefits Paid	(6,790,391)	(4,351,143)
Actuarial gain/(loss) on plan assets	(691,596)	1,424,275
Fair Value of Plan Assets	69,446,621	46,424,275

d. Gratuity expense recognized in the Profit and Loss Account

	<b>Year Ended March 31, 2011</b>	<b>Year Ended March 31, 2010</b>
	₹	₹
Current service cost	60,94,757	5,759,300
(Expected return on plan assets)	(3,713,942)	-
Interest cost	72,68,114	6,205,706
Actuarial (gain) / loss	1,092,862	(929,458)
<b>Total</b>	<b>10,741,791</b>	<b>11,035,548</b>

**Compensated absences**

During the year the company has recognized a charge of ₹ 9,445,325 (2009-10- ₹ 638,507)

12) The Company has dispatched requests to its vendors seeking confirmation under the Micro, Small and Medium Enterprises Act, 2006. However, only few responses have been received so far. Accordingly, information required to be disclosed under the Micro, Small and Medium enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. As represented by the management there are no Micro, Small and Medium enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2011. Listed below are the details of interest due on delayed payments during the year:

- I Delayed payments due as at the year end on account of Principal - ₹ Nil (2009-10 - ₹ Nil) and Interest due thereon - ₹ Nil (2009-10 - ₹ Nil)
- II Total interest paid on all delayed payments during the year under the provisions of the Act - ₹ Nil (2009-10 - ₹ Nil)
- III Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this Act - ₹ Nil (2009-10 - ₹ 22,244)
- IV Interest accrued but not due- ₹ Nil (2009-10 - ₹ Nil)
- V Total Interest Due but not paid - ₹ Nil (2009-10 - ₹ 22,244)

13) Previous year figures have been re-grouped/recast, wherever necessary to confirm to the current year classification.

**(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)\*** 282,200 MT of Clay products.  
96,383 MT of starch and its allied products.

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

c) <b>Class of goods manufactured Actual Production</b>	<b>Year ended March 31, 2011</b>		<b>Year ended March 31, 2010</b>	
	<b>MT</b>		<b>MT</b>	
Clay products*	170,394		180,071	
Starch and Allied Products**	55,912		60,195	

\* Out of the above of Nil MT (2009-10 : Nil MT) were used for manufacture of High end Products.

\*\* Out of the above of 25 MT (2009-10 : 107 MT) were used for manufacture of allied products.

(d) <b>Stock of finished goods</b>	<b>Quantity</b>		<b>Value</b>		<b>Quantity</b>		<b>Value</b>	
	<b>M.T</b>		<b>₹</b>		<b>M.T</b>		<b>₹</b>	
<b>Opening Stock</b>								
Clay products	6,464	40,775,183	3,505	22,849,689				
Starch and allied products**	625	15,161,151	1,433	28,340,607				
By products & others		3,537,693		3,543,580				
		<b>59,474,027</b>		<b>54,733,876</b>				
<b>Closing Stock</b>								
Clay products*	2,883	16,648,099	6,464	40,775,183				
Starch and allied products	1,155	33,192,503	625	15,161,151				
By products & others		1,920,708		3,537,693				
		<b>51,761,310</b>		<b>59,474,027</b>				

\* Net of damaged/ physical count difference written off 213 MT (2009-10 : 191 MT)

\*\* Nil (2009-10: 180 MT) were used for manufacture of high end products.

(e) <b>Sales</b>	<b>Quantity</b>		<b>Value</b>		<b>Quantity</b>		<b>Value</b>	
	<b>M.T</b>		<b>₹</b>		<b>M.T</b>		<b>₹</b>	
<b>Domestic Sales</b>								
Clay products*	163,419	1,697,207,350	166,834	1,591,386,812				
Starch and allied products**	52,457	1,494,914,052	53,164	1,293,725,690				
By products & others	-	198,892,748	-	184,623,043				
<b>Export sales</b>								
Clay products	11,046	166,600,349	10,084	171,344,130				
Starch and allied products***	2,897	104,368,491	7,550	186,102,652				
		<b>3,661,982,990</b>		<b>3,427,182,327</b>				

\* excludes 1 (2009-10 : 3MT) issued as samples and includes 704MT (2009-10 : Nil) of traded goods

\*\* excludes 3 MT (2009-10 : 2 MT) issued as samples.

\*\*\* includes ₹ 101,975,543 (2009-10 : ₹ 185,813,152) for merchant exports.

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

	Quantity M.T	Value ₹	Quantity M.T	Value ₹
Clay Matrix	585,248	59,692,954	582,249	66,632,301
Maize	68,268	710,064,340	63,362	635,636,215
Maize starch	5,932	124,196,982	5,085	88,095,083
Tapioca starch	2,943	66,740,972	12,555	221,416,613
Others		71,083,939		14,135,022
		<b>1,031,779,187</b>		<b>1,025,915,234</b>

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

	Year ended March 31, 2011 Amount ₹	Year ended March 31, 2010 Amount ₹
Raw material	20,176,308	193,672,238
Stores and spare parts	40,829,572	18,996,623
Capital goods	1,205,895	10,540,716
	<b>62,211,775</b>	<b>223,209,577</b>

**4 Expenditure in foreign currency :  
(Cash basis)**

	Amount ₹	Amount ₹
Commission	2,595,175	5,714,948
Travelling	810,781	155,225
Consultancy	933,047	99,875
Others	578,166	486,161
	<b>4,917,169</b>	<b>6,456,209</b>

**5 Earnings in foreign exchange calculated on F.O.B. Basis**

Export of: Clay products	166,600,349	171,344,130
Starch and allied products	2,392,948	289,500
	<b>168,993,297</b>	<b>171,633,630</b>

**6 The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise is as follows:**

	As at March 31, 2011 ₹	As at March 31, 2010 ₹	As at March 31, 2011 USD	As at March 31, 2010 USD
<b>Receivables in foreign currency</b>				
- Sundry Debtors	17,022,042	-	376,346	-
	<b>17,022,042</b>	<b>-</b>	<b>376,346</b>	<b>-</b>



**7 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
	Amount ₹	%	Amount ₹	%	Amount ₹
Raw material(s)					
2010-11	999,892,133	96.91%	31,887,054	3.09%	1,031,779,187
2009-10	851,177,528	82.97%	174,737,706	17.03%	1,025,915,234
Store & spare parts*					
2010-11	423,706,446	91.95%	37,073,824	8.05%	460,780,270
2009-10	376,641,354	95.68%	17,012,215	4.32%	393,653,569

\*Includes ₹ 99,931,240 (2009-10 : ₹ 99,563,370) debited to other heads.

**8 Amount paid / payable to auditors:**

	Year ended March 31, 2011 ₹	Year ended March 31, 2010 ₹
i) Audit fees (including fees for quarterly reviews)	2,100,000	3,000,000
ii) Tax audit fees	300,000	400,000
iii) Certification	100,000	100,000
iv) Other services	-	500,000
v) Out of pocket expenses (including service-tax)	623,361 *	627,613

\* Out of this, ₹ 226,739 pertains to erstwhile auditors of the Company.

**9 Remuneration paid/ payable to Managing Director and Executive Director**

Salary & Allowances	6,912,000	16,859,077
Contribution to provident and other funds	324,000	1,296,000
Value of perquisites	15,000	30,000
	<b>7,251,000</b>	<b>18,185,077</b>

Note : The above excludes provision for Gratuity and Leave encashment which is actuarially determined on an overall basis.

<b>10 Commission to Non Executive Director</b>	4,687,560	4,792,519
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		
Profit before tax	453,804,400	445,024,390
<b>Add/(Less)</b>		
Bad debts/advances written off against provisions	(1,868)	(3,299,095)
Depreciation as per books	123,636,870	118,505,950
Less : Depreciation as per Schedule XIV to the Companies Act, 1956	<u>122,284,615</u>	<u>117,505,556</u>
Directors' remuneration	11,938,563	22,977,596
Directors' sitting fee	388,000	380,000
Loss/ (Profit) on sale of fixed assets	(5,707,965)	2,464,621
Provision for doubtful debts/advances	6,982,959	10,704,003
	<b>468,756,344</b>	<b>479,251,909</b>

Commission (restricted to the amount whereby the total remuneration is within the limit sanctioned by the shareholders) 4,687,563 4,792,519

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### i Registration Details

Registration no.	2039	State Code	09
Balance Sheet Date	31.03.2011		

### ii Capital raised during the year (Amount in ₹ Thousands)

Public issue	Nil	Right Issue	Nil
Bonus issue	55862	Private Placement	Nil

### iii Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities	2915330	Total Assets	2915330
<b>Sources of funds</b>			
Paid-up Capital	400552	Reserves & Surplus	1050419
Secured Loans	976601	Unsecured Loans	284078
Deferred Tax Liabilities	203680		
<b>Application of Funds</b>			
Net Fixed Assets	2360840	Investments	500
Net Current Assets	553990	Misc. Expenditure	--
Accumulated Losses	Nil		

### IV Performance of Company (Amount in ₹ Thousands)

Turnover	3668028	Total Expenditure	3234218
Profit/Loss Before Tax	+ 453804	Profit/Loss After Tax	+ 303905
Earning Per Share ₹	5.28	Dividend Rate (%)	50%

### 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  
Corporate Finance,  
Accounts & Administration

Sd/-  
RAHUL GUPTA  
Executive Director

Sd/-  
KARAN THAPAR  
Chairman

