



T C M Limited

(Formerly Travancore Chemical & Mfg.Co.Ltd.)

59th Annual Report &

Accounts

For the 18 months period ended 30.09.2003

DIRECTORS	R.V.RAMANI R.B.KISHORE R.ARAVINDAN
MANAGING DIRECTOR	K.GOPALAN
AUDITORS	M/S R.RAJAMANI Chartered Accountant
BANKERS	BANK OF BARODA
REGISTERED OFFICE	IV/675 PULIKKUNNEL BUILDINGS FERRY ROAD KALAMASSERY - 683 104.
SHARE TRANSFER AGENTS	CAMEO CORPORATE SERVICES LTD SUBRAMANIAN BUILDING NO.1, CLUB HOUSE ROAD CHENNAI - 600 002
FACTORIES AT	KALAMASSERY METTUR DAM TUTICORIN



NOTICE TO SHAREHOLDERS

Notice is hereby given that the 59th Annual General Meeting of the Members of T C M Limited will be held on Wednesday the 31st December 2003 at 11.00 Hrs at Bharat Hotel, Ernakulam to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the the Audited Balance Sheet, the Profit & Loss Account for the 18 months period ended 30st September 2003, the Directors' Report and the Report of the Auditors thereon.
2. To appoint a Director in the place of Sri.R.V.Ramani who is retiring by rotation. The retiring Director is eligible for re-appointment.
3. To appoint a Director in the place of Sri.R.B.Kishore who is retiring by rotation. The retiring Director is eligible for re-appointment.
4. To appoint Auditors for the ensuing accounting period and to fix the remuneration by passing the following resolution with or without modification as a Special Resolution.

"RESOLVED that Shri R.Rajamani Chartered Accountant, be and is hereby re-appointed as Auditor of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a fee to be determined by the Board of Directors.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution
" RESOLVED that Shri R.Aravindan who was appointed as Additional Director on 17.1.2003 and whose term expires under section 260 of the Companies Act 1956 at this Annual General Meeting and in respect of which the company received a notice from a member under section 257 of the said act, proposing his candidature for the office of the Director be and is hereby appointed as a Director of the company whose period of office is liable for retirement by rotation.
6. To consider and if thought fit to pass with or without modifications the following resolution as a special resolution
" RESOLVED that in view of the extension of the company's previous accounting year by 6 months i.e from 1.4.2002 to 30.09.2003, the audit fee of Rs.60,000/- (Plus actual travelling and halting expenses) to Shri R.Rajamani, Chartered Accountant, fixed by the Annual General Meeting held on 27.09.02 be proportionately increased to Rs.90,000/- for the period comprising 18months ended 30.09.2003 (Plus actual travelling and halting expenses)
7. To consider and if thought fit to pass with or without modification the following resolution as a special resolution
"Resolved that subject to the approval of the lending financial institutions/banks and of such other statutory and other authorities permission be and is hereby accorded u/s 293 (1) (a) of the Companies Act 1956 to the Board of Directors to dispose of the fixed and other assets of



the company's undertaking at Kalamassery and to apply the sales proceeds for the liquidation of the company's liabilities and to meet the other financial requirements of the company.

Notes:

- 1) A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself. A proxy need not be a member of the Company. Completed Proxy Forms should reach Registered Office of the Company before 11.00 Hrs on 29th September 2003.
- 2) In connection with the general Meeting, the Register of Members and Share Transfer Books of the company will be closed from 20.12.2003 to 31.12.2003 (both days inclusive)
- 3) In terms of Clause 49 of the listing agreement with Stock Exchanges a brief resume of the Directors who are proposed to be appointed / re-appointed at this meeting is given below.
 - a) Shri R. V. Ramani, a renowned chemical engineer and Padmashri awardee is associated with the company as a director for about 4 decades. He is an eminent personality and a doyen in the chemical field with rich commercial and industrial experience. He is also Director in many other companies and the rich experience gained by him over the years in various line of activity has been a real asset to the company in implementing many schemes/projects. He is also director of eleven other companies out of which he is the Chairman of four companies. He is also a member of Audit Committee in three other companies.
 - b) Mr. R. B. Kishore, M. A. (Economics) is a retired Executive Director/Principal LIC Management Development Centre and was appointed by LIC as the nominee director in the year 1996. LIC presently holds 23.72% of the shares of the company.
- 4) Members are requested to intimate any changes in their address to the Share Transfer Agent M/S Cameo Corporation Services Ltd, Subramaniam Building, No.1 Club House Road, Chennai-600002, quoting their folio numbers.
- 5) Those members who have so far not encashed their dividend warrant for the year 1996-97 may claim or approach the company for the payment thereof as the same will be transferred to the Investors Education and Protection Fund of the Central Government, pursuant to Section 205C of the Companies Act, 1956 in October 2004.
- 6) Members who are holding shares in identical order of names in more than one folio are requested to send to the company the detail of such folio so as to consolidate their holding in one
- 7) Those who have so far not dematerialised their shares are advised to demat their physical share.
- 8) The Explanatory Statement pursuant to Section 173(2) of the companies Act 1956 in respect of item No.5, 6 and 7 are annexed hereto

By Order of the Board
For T C M Limited

G.S.Lakshmi Narasimhan
Company Secretary Cum
Financial Controller

Cochin
4th December 2003

**Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956****Item No.5**

Shri R. Aravindan, is a qualified Chartered Accountant with a Post Graduate Diploma in Financial Management. He has a rich professional experience in the industry as well as in consultancy specializing in financial management and related areas. He has more than a decade's expertise in business and capital structuring, financial planning, mobilization of financial resources, management of finance and accounts, MIS and corporate tax planning. Also considering his consulting experience in the turn around management of companies in the small and medium enterprises segment, the Board of Directors of the company thought it fit to induct him as a Director and appointed as additional Director at the Board meeting held on 17.01.2003. He holds the office upto the forth coming Annual General Meeting. The company has received notice in writing from a member under section 257 of the Companies Act signifying his intention to propose the appointment of Shri R.Aravindan as Director at the ensuing Annual General Meeting. Apart from Shri R.Aravindan none of the Directors is interested in the proposed resolution.

Item No.6

Members are aware that your company had come out with a Rights Issue recently. Consequently the financial year was extended to 18 months period after getting necessary approval from all concerned. Members in the previous Annual General Meeting held on 27.09.2002 approved the appointment of Shri R.Rajamani as auditor of the company and fixed the audit fees as Rs.60,000/- (Plus actual travelling and halting expenses) for the year ended 31.3.2003. In view of the extension of the time, members are requested to approve the proposed increase made in the fees payable to him.

None of the Directors is interested in the above resolution.

Item No.7

As the shareholders are aware, due to continued non viability of the operations at Kalamassery, this unit had to be closed down. In pursuance of the Industrial Tribunals' order dated 25.5.2002, the worker's services had to be discontinued and the resultant liability for the compensation payable to workmen has arisen. There are also other major financial liabilities to the banks/ financial institutions to be repaid. Since the prospects of resuming operations at the Kalamassery unit are extremely remote, it appears prudent to dispose of these non performing assets. This will help not only in discharging the liabilities to workmen and to banks but will also help in improving the liquidity position of the company. The matter is placed before the members for approval to enable the Directors to take necessary steps.

None of the Directors is interested in the resolution.



DIRECTORS' REPORT

Yours Directors present their report for the period ended 30th September 2003 (18 months) together with the audited accounts for the said period.

I. KEY FINANCIAL INFORMATION

(Rs.Lacs)

	2002-2003 (18 Months)	2001-2002 (12 Months)
Sales	3138.68	2815.00
Raw Material & Packing Material	1249.79	1096.39
Power	148.42	133.27
Employee Cost	396.33	346.86
Excise Duty	419.25	374.09
Financial Cost	284.87	188.80
Operating Profit / (Loss) before interest and Depreciation	(20.15)	116.46
Cash Profit / (Loss)	(305.02)	(72.35)
Net Profit / (Loss)	(401.17)	(140.60)

II. OPERATIONS AND PERFORMANCE

During the period under review your company could achieve a sales turnover of Rs.31.38 Crores (18 months) as compared to Rs.28.15 Crores achieved in the previous year (12 months) representing a reduction in sales of 25.68% on an annualised basis. This was mainly due to the fact that during the year 2002-03 the Kalamassery Unit at Kerala was not operative while it was partly operative during the previous year. Further due to stiff competition there was a marginal drop in realisation. The lower capacity utilisation resulted in liquidity problems. To overcome the strain on working capital and to settle the dues of workmen's compensation at Kalamassery Unit, your Director's came out with a Rights Issue on 1:1 basis to generate funds to the extent of Rs.3.40 Crores. Accordingly the financial year was also extended to 18 months period after getting necessary approval from Registrar of Companies, Cochin. The issue was not successful. Your Directors have been exploring other means of meeting the urgent financial requirements, one of which is disposal of whole or part of the non performing assets at Kalamassery. An enabling resolution to authorise the Directors to take further steps in this regard are being placed before the Annual General Meeting.

III. EXISTING STATUS

The company's running units at Mettur and Tuticorin are working well. However due to funds constraint they are not working to their full capacity. Your company has also taken effective cost reduction measures wherever possible. The benefits of the same will be reflected in future years operations. Your Directors are confident about the prospects of revival as the company's products still enjoy a good brand equity.



IV. DIVIDEND

Due to losses sustained by the company, the Directors are not in a position to recommend payment of dividend to the members for the period 2002-03.

V. DIRECTORS

Shri R.G.N.Swamy who was in the Board for nearly a decade resigned with effect from 08.07.2002. Your company hereby places on record its appreciation for the services rendered by him. Shri N.R.Suparna who was associated with the company as Managing Director/Director for about 17 years resigned with effect from 07.08.2003. The company places on record its appreciation for the services rendered by him.

During the year Shri R.Aravindan was co-opted as additional Director with effect from 17.01.2003. He holds office upto the ensuing Annual General Meeting of the company and consequently necessary resolution has been proposed in the notice to appoint him as Director, subject to retirement by rotation.

Shri K.Gopalan who was appointed as Executive Director at the Annual General Meeting held on 28.09.2001 for a period of five years from 1.02.2001 was redesignated as Managing Director in the Board meeting held on 17.01.2003. All the other terms and conditions including his remuneration remains unaltered.

VI. AUDITORS

Shri R.Rajamani Chartered Accountant retires at the ensuing Annual General Meeting and has confirmed his eligibility and willingness to accept office if re-appointed.

VII. ANNEXURES

Annexure to this report details

- (1) Management Discussions and Analysis Report.
- (2) Directors Responsibility Statement as per Section 217(2AA) of the Companies Act, 1956,
- (3) Statement on conservation of energy, technology absorption, research & development and foreign exchange earnings and outgo

VIII. DEPOSITS

The company did not accept any deposit from public during the year. All the deposits which matured for payment have been fully settled and there are no outstanding deposit amounts lying unsettled.

IX. AUDITOR'S OBSERVATION

An explanation to the auditor's observation is provided in the notes to accounts.

X. ACKNOWLEDGEMENTS

Your Directors wish to place on record their gratitude to Company's customers for their continued patronage and Bank of Baroda, Bank of Rajasthan Ltd, The Shamrao Vithal Co-operative Bank Ltd, The Federal Bank Ltd, ICICI Ltd., for their consistent guidance and co-operation. The Board also wished to place on record its appreciation for the co-operation extended by all ranks of employees.

On Behalf of the Board
For TCM Limited

Place: Cochin
Date: 04.12.2003

R.V.Ramani
Chairman of the Meeting



ANNEXURE TO DIRECTORS REPORT

1) MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

The company is engaged in manufacture of three groups of chemicals:

1. Chlorates (Sodium and Potassium).
2. Fungicides, Weedicides and their formulations
3. Barium and Strontium Salts (Carbonates, Nitrates and Chlorides)

A part of the fungicides and respective formulations are manufactured at Tuticorin. Barium and Strontium Salts are being for the large part manufactured at Mettur, with a small part of the Strontium salts only being manufactured at Tuticorin.

INDUSTRIES STRUCTURE AND DEVELOPMENT

Chlorates

The company has discontinued production of Sodium and Potassium Chlorates. Consequent to the entry of Chinese imports at competitive prices, the products have become economically non viable. The users of these products to a large extent depend either on imports or on captive use from their own integrated manufacturing facilities

Fungicides, Weedicides and their formulations

The company enjoys a premium status in the production of Copper Sulphate, Copper Oxychloride and formulations. These products are used as a fungicide in coffee, rubber and cardamom plantations and in a variety of ground crops such as cotton, rice, chillies etc. Despite the closure of Kalmassery unit, the company is catering to the requirements of fungicides from the unit based at Tuticorin.

Barium and Strontium Salts

These products are reserved for small scale sector and are always subject to a pressure on margin on account of competition from this sector. These products find application in television glass, ferrites, paints, heat treatment salts, fireworks, tanneries etc. Although the company has a significant market share in respect of these products, yet the company has embarked on a continuous cost reduction exercise to meet competition.

OPPORTUNITIES AND THREATS

Chlorates

The Government has clamped an anti dumping duty in respect of Potassium Chlorate. The liberalization of imports has lead to a situation of supply exceeding demand. Consequently the prices of chlorates are ruling low in the market compared to the domestic cost of production. The



company sees an opportunity in the export market only if the international prices are favourable. This would also be subject to restarting the operations in Kalamassery.

Fungicides, Weedicides and their formulations

The company has a considerable clout in the manufacture, marketing and servicing the agricultural sector in the South for fungicides and weedicides.

The company sees an opportunity to take up other "Systemic" insecticides taking into account that the South is mainly a rain intensive area.

The company reckons that there is a surplus of capacity for formulations in Western India and that there is a need to grow this market in Southern India.

Barium and Strontium Salts

Local, small scale manufacturers who have several tax advantages, are eyeing the "large margin" products of TCM and will pose a competitive threat in the near future. As it is, there are many small scale competitors in the "conventional products" of TCM. However, the technology improvement at Mettur has yielded substantial results. The company estimates the utilization of this opportunity in a big way.

The company enjoys a very high market share in respect of strontium salts. The ever increasing applications of these salts provide a great opportunity for the company to exploit

PRODUCT WISE PERFORMANCE

Chlorates

There was no production of chlorates during 2002-03 as the chlorate unit remained closed during the period.

Fungicides, Weedicides and their formulations

The company produced 478 tons of copper sulphate and 372 tons of copper oxy chloride formulations during the period. The company could not meet with the demands as the capacity utilization could not be enhanced due to the strains on liquidity. The production quantities, on an annualized basis, are lesser than that of the previous year by 57.64 % and 29 % respectively.

Barium and Strontium Salts

The plant at Mettur produced Barium Carbonate of 6118 tons during the period. The company has sold 5496 tons and in the next year it is expected to sell more on account of the accruing advantages of the change in the process of production.

The production of Barium Nitrate was 862 tons compared to 995 tons of the previous year, on an annualized basis. The demand for this product has been very steady and the company has been satisfying the requirements consistently well.



The production of Barium Chloride was 875 tons compared to 1297 tons of the previous year, on an annualized basis. The company reckons that the Barium Chloride market is getting to a stagnant level.

The production of Strontium Carbonate and Nitrate was 113 and 394 tons. These products have recognition and wide acceptance. They find value added applications in the respective industries. The scope for these products is very encouraging for the next year

OUTLOOK

Chlorates

The cost of manufacture of chlorates will become prohibitively high and the margins are already thin. The Chinese imports are at such low prices that even the anti dumping measures may not benefit domestic production of chlorates. The situation, therefore, is not encouraging.

Fungicides, Weedicides and their formulations

The company does not face stiff competition in respect of these products. An adequate support of funds shall help in utilizing the opportunities to a good advantage. The outlook for these products look bright and challenging.

Barium and Strontium Salts

In order to achieve better economies of scale and to reduce cost of production, the company is working continuously with the changed production process as well as the cost reduction measures towards increasing the capacity of these categories of products. The market for barium and strontium carbonate is expected to grow phenomenally in the next five years. The plans of increased capacity utilization would help in utilizing the potential.

RISKS AND CONCERNS

Chlorates

The ever increasing imports from China and the factor of supply exceeding demand is a matter of concern. The situation is unlikely to change in the near future.

Fungicides, Weedicides and their formulations

The key raw materials for the manufacture of these products are copper scrap, which is generally imported. The prices of copper scrap have been fluctuating moderately and the company has been able to absorb, so far, the fluctuations in the selling price of the end products. There may be a need later on to revise the selling prices to compensate the fluctuations in import costs.