

31st Annual Report 2003 - 2004

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**Thirumalai
Chemicals Ltd.**

**BOARD OF DIRECTORS :**

Shri. S. Sridhar (Chairman & Managing Director)
 Shri. R. Parthasarathy (Vice Chairman & Managing Director)
 Shri. S. Santhanam
 Shri. Cyril S. Shroff
 Shri. R. Sundararajan
 Dr. S. Rama Iyer
 Shri. Dilip J. Thakkar
 Shri. U. Sundararajan
 Shri. Atul Agarwal
 Shri. Pradeep Rathi

COMPANY SECRETARY :

Shri. S. Madhavan

BANKERS :

Andhra Bank
 Bank of Baroda
 Bank of India
 Indian Bank
 Ing Vysya Bank Ltd.
 State Bank of India
 UTI Bank Ltd.

AUDITORS :

Contractor, Nayak & Kishnadwala
 Chartered Accountants
 1B, 1st Floor, Pushpam,
 K.D. Road, Vile Parle,
 Mumbai - 400 056.

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W),
 Mumbai - 400 078.
 Tel. : 55555454
 Fax : 55555353
 E-mail: isrl@intimespectrum.com

REGISTERED OFFICE AND FIXED DEPOSITS DEPARTMENT :

Baldota Bhavan,
 117, Maharshi Karve Road,
 Mumbai - 400 020.
 Tel. : 2203 0445/2208 7790
 Fax : 2205 1145
 E-mail: ultrapl@vsnl.com

ADMINISTRATIVE OFFICE :

Thirumalai House, Road No.29,
 Near Sion Hill-Fort, Sion (E), Mumbai - 400 022.
 Tel. : 2401 7841, 7834, 7853, 7861
 Fax : 2401 1699
 E-mail: thirumalai@thiruchem.com

FACTORY :

Ranipet, North Arcot District, Tamilnadu,
 Tel. : 244441/244442/244045
 Fax : 04172-244308
 E-mail: mail@thirumalaichemicals.com
 Web : http://www.thirumalaichemicals.com

**31ST ANNUAL
GENERAL MEETING****DATE :**

Monday, July 5, 2004
 at 4.00 p.m.

VENUE :

Mysore Association Auditorium,
 Bhaudaji Road, Matunga,
 Mumbai - 400 019.

DIVIDEND :

50%

DIVIDEND ELIGIBILITY :

For : Regd. Member
 Physical Shares : As on 21st June, 2004
 Demat Shares : As at the close of Business
 hours on 21st June,
 2004, per the list of
 beneficial ownership
 furnished by the
 Depositories.

BOOK CLOSURE :

June 22, 2004 to July 5, 2004

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Members are requested to bring their copy of Annual Report with
 them to the Annual General Meeting

NOTICE

NOTICE is hereby given that the **THIRTYFIRST ANNUAL GENERAL MEETING OF THIRUMALAI CHEMICALS LIMITED** will be held at THE MYSORE ASSOCIATION AUDITORIUM, Mysore Association, 393, Bhaudaji Road, Matunga-C.Rly, Mumbai- 400019 on Monday, July 5, 2004 at 4.00 p.m to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2004 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Dr.S.Rama Iyer, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Dilip J Thakkar, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr.Cyril S Shroff, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors for the current Year and fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.
'RESOLVED THAT Mr.Atul Agarwal who was appointed as an Additional Director of the Company with effect from 28th October, 2003 and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company.
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.
'RESOLVED THAT Mr.Pradeep Rathi who was appointed as an Additional Director of the Company with effect from 4th May, 2004 and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company.
9. To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL resolution.
'RESOLVED THAT pursuant to the guidelines issued by SEBI under the Securities and Exchange Board of India (Delisting of Securities)Guidelines-2003 and other applicable approvals and procedures which may become applicable hereafter, governing the matter, the Company be and is hereby authorized to voluntarily apply for delisting of its Equity Shares from the Madras Stock Exchange Ltd at such time as the Board of Directors (whether acting through the Board, a Committee of the Board or any Director or any person authorized by the Board) may , in their absolute discretion , consider appropriate and proper without giving an exit option to the shareholders of the region where the aforesaid Stock Exchange is situated and the Board of Directors of the Company be and are hereby authorized to do all necessary acts in pursuance with the above matter.'

Registered Office :

Baldota Bhavan
117 Maharshi Karve Road,
Mumbai 400 020.
May 4, 2004.

By the Order of the Board
For **THIRUMALAI CHEMICALS LIMITED**

S. MADHAVAN
SECRETARY

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- b) The proxy form duly completed and signed should be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
- c) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.
- d) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, June 22, 2004 to Monday, July 5, 2004 (both days inclusive) for determining the names of members eligible for dividend, if approved. In respect of shares held in Electronic form, the dividend will be paid to those members whose names appear at the close of Business hours as on 21st June, 2004 on the basis of particulars of beneficial ownership furnished by the depositories for the purpose.

The Company wishes to offer the Facility of Electronic credit of Dividend directly to the respective bank accounts of our Shareholders. This facility called ECS, is presently available at select RBI locations like, Ahmedabad, Bangalore, Chennai, Hyderabad, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, New Delhi etc. Shareholders in locations where ECS facility is available are requested to send the ECS mandate form appearing on the last page of this Report, duly filled and Signed, and return immediately to their Depository Participant [in case of shares in Demat segment] and to the Company's Registrar, viz. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai - 400 078 - Tel. No: 55555454, Fax No.55555353, E-mail: isrl@intimespectrum.com in case of shares in physical segment.]

- e) Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
- f) Reappointment of retiring Directors :

Dr.S.Rama Iyer, Mr.Dilip J Thakkar and Mr. Cyril S Shroff, Directors of the Company , retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Dr.S.Rama Iyer, 64 years, has been a Director of the Company from November 25, 1997. He is a Phd, M.I.I. Chem.E and a reputed Technocrat with vast experience and knowledge. He is the Chairman and Managing Director of Kvaerner Powergas India P.Ltd and Xytel India P. Ltd and Director of Powergas Services.(India) P.Ltd, Powergas Information Technology Services P.Ltd and Indsil Electrosmelts Ltd.

Mr. Dilip J Thakkar , 67 years, has been a Director of the Company since 20th March, 1998. Mr. Dilip J Thakkar is an eminent Chartered Accountant with vast knowledge and experience in Collaboration, Joint Ventures etc. He is on the Board of several Public Companies including Matsushita Lakhnapal Battery India Ltd, Himatsingka Seide Ltd, Premier Auto Electric Ltd, Essar Oil Ltd, Omega Management Services Ltd, Monotona Exports Ltd, Deccan Florabase Ltd, The Ruby Mills Ltd, Indo Count Industries Ltd and Walchandnagar Industries Ltd. Mr.Dilip J Thakkar is also the Partner of M/s. Jayantilal Thakkar & Company, Chartered Accountants as also M/s. Jayantilal Thakkar Associates, Chartered Accountants, Mumbai..

Thirumalai Chemicals Ltd.

Mr. Cyril Shroff, 45 years, has been a Director of the Company from November 24, 1995. He is an Advocate and Solicitor and is the partner in the leading legal firm, M/s. Amarchand & Mangaldas & Suresh A Shroff & Co. He is considered as an authority on legal matters and regularly contributes articles in leading news papers and journals. He is also member/Advisor of /to Committees of SEBI, Chambers of Commerce, Ministry of the Government, Industry etc. He is the Director of Kotak Mahindra Bank, IDBI Capital Markets Ltd, Grasim Industries Ltd, Associated Cement Companies Ltd and Reliance Energy Ltd.

- g) Members are requested to notify their Depository Participant(DP) / Company's Registrars viz: Intime Spectrum Registry Limited, C-13, Pannala Silk Mills Compound, LBS Road, Bhandup (W), Mumbai-400 078. (Tel.Nos.55555454, Fax No.55555353, Email-isrl@intimespectrum.com) immediately about change of address , if any, and also write to them immediately about corrections , if any, in name, address and pincode.
- h) Members desiring any clarification on accounts are requested to write to the Company at an early date so as to enable the Company to keep the information ready.
- i) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all dividends from the Final dividend for the financial year ended 31/3/1996, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Likewise, Debentures/Fixed Deposits repayment warrants/ interest warrants which remain unclaimed/unpaid for a period of 7 years from the dates they first became due for payment also need to be transferred to the Investor Education and Protection Fund.
Accordingly, amounts have been transferred to the Investor Education and Protection fund from time to time. All persons are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.
Persons who have not encashed their Debenture/fixed Deposits repayment/interest warrants/dividend warrants are requested to approach the Company for obtaining the duplicate warrants before the balance in the respective account gets transferred to the Investor Education and Protection Fund.
- j) The Equity shares of the Company are mandated for trading in the compulsory demat mode. The ISIN No. allotted for the Company's shares is INE338A01016.
- k) Member(s) wanting to nominate a person on whom the Shares will vest in the event of death of the holder(s) are requested to use the prescribed Form-2B and forward to the Company' Registrars.
- l) Shareholders are requested to bring their copy of Annual Report to the meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM. No. 7

Mr. Atul Agarwal was appointed as Additional Director of the Company effective from 28th October, 2003 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Atul Agarwal holds office as an Additional Director upto the date of Annual General Meeting. The Company has received notice in writing from a member signifying his intention to propose the appointment of Mr. Atul Agarwal as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Atul Agarwal, 45 years, is a qualified Chartered Accountant and is the Wholetime Director of Mercator Lines Ltd . He is also the Proprietor of A.J. Agarwal & Company-Chartered Accountants and Chairman and Director of Mercator Healthcare Ltd. The Directors commend the resolution set out at item.no.7 of the accompanying notice for your approval.

None of the Directors of the Company except Mr. Atul Agarwal is concerned or interested in the resolution.

ITEM. No. 8

Mr. Pradeep Rathi was appointed as Additional Director of the Company effective from 4th May, 2004 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Pradeep Rathi holds office as an Additional Director upto the date of Annual General Meeting. The Company has received notice in writing from a member signifying his intention to propose the appointment of Mr. Pradeep Rathi as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Pradeep Rathi , 50 years, is a reputed businessman with vast knowledge and experience in the Chemicals Industry. He is the Director of Sudarshan Chemical Industries Ltd as also other Public Companies like Mantra Finance Ltd, Rathi Brothers Poona Ltd, Rathi Brothers Calcutta Ltd, Rathi Brothers Madras Ltd, Rathi Brothers Delhi Ltd, Reico Industries Ltd and Lahoti Overseas Ltd.

The Directors commend the resolution set out at item.no.8 of the accompanying notice for your approval. None of the Directors of the Company except Mr. Pradeep Rathi is concerned or interested in the resolution.

ITEM NO. 9.

The Company's shares are presently listed on The Stock Exchange, Mumbai, The National Stock Exchange of India Ltd and The Madras Stock Exchange Ltd.

SEBI , through its guidelines dated 17th February 2003, has permitted Companies to voluntarily delist its shares from a Stock Exchange , where the shares are listed for a period of more than 3 years provided inter alia , the Company is authorized by the Shareholders for making such an application for delisting through a special resolution. The Board of Directors have decided to take steps to have the equity shares of the Company de-listed from the Madras Stock Exchange Ltd as the volume of trading on the Madras Stock Exchange is very low and The Stock Exchange, Mumbai and The National Stock Exchange of India Ltd, where the Company's shares will continue to be listed, have also got nationwide trading terminals and the delisting from The Madras Stock Exchange will not affect the trading of the shares by members in any part of the Country.

The Board of Directors of your Company recommend passing of the resolution set out under Item.No.9 as a Special resolution.

None of the Directors of the Company is concerned or interested in the resolution.

Registered Office :

Baldota Bhavan
117 Maharshi Karve Road,
Mumbai 400 020.
May 4, 2004.

By the Order of the Board
For **THIRUMALAI CHEMICALS LIMITED**

S. MADHAVAN
SECRETARY

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS.

To

The Members,

Thirumalai Chemicals Ltd.

Your Directors present their THIRTY FIRST ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2004.

Rs. (in Lakhs)

FINANCIAL RESULTS

	Year ended 31/3/2004	Year ended 31/3/2003
Sales	26,317	27,542
Other Income	372	167
	26,689	27,709
Gross Profit before Interest and Finance Charges and Depreciation	2,942	3,256
Interest and Finance charges	800	997
Profit before Depreciation and Tax	2,143	2,259
Depreciation	1,087	900
Profit before Tax	1,056	1,359
Provision for Current Tax	82	107
Profit after Current Tax	974	1,252
Provision for Deferred Tax	(73)	(126)
Prior Year Adjustment	3	69
Profit after Tax	1,044	1,309
Balance in Profit & Loss Account.	947	402
Profit available for appropriation.	1,991	1,711
APPROPRIATIONS.		
Dividend.	498	498
Tax on Dividend	64	64
Debenture Redemption reserve	63	63
General Reserve	110	140
Balance carried forward	1,256	947
	1,991	1,711

On a Sales turnover of Rs. 26,317 Lakhs (Rs. 27,542 lakhs) including Export earning on FOB basis of Rs. 2,678 Lakhs (Rs. 3,916 Lakhs) and Other Income of Rs. 372 Lakhs (Rs. 167 Lakhs), the Gross Profit of the Company amounted to Rs. 2,943 Lakhs (Rs. 3,256 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 1,044 Lakhs compared to Rs. 1,309 lakhs in the previous year.

DIVIDEND :

Your Directors are pleased to recommend payment of Dividend @ 50 %.

The total cash outflow on account of this dividend payment including distribution tax will be Rs. 562 Lakhs. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around 7th July, 2004 to 16th July, 2004.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

Mission and Business Strategy:

The Company's business model envisages building a strong business around its core strengths in technology, marketing and manufacturing.

We believe that we have built a strong foundation on which we can base a sustainable long-term growth.

Industry Developments:

Despite having large capacities for manufacture of PAN at low capital costs, due to several extraneous factors, the Company was not in a position to operate the Plants fully and continuously. The ability of some sick companies to operate at high capacities and sell at low prices, without margins, is quite mysterious and disturbing too. Sales by such sick companies, also in the Export markets at ridiculous prices, has resulted, apart from their own further sickness, in irreparable damage to the export endeavours of other PAN manufacturers in India due to the levy of Anti Dumping duty on Indian PAN producers by leading consuming Countries like China to be followed by some other countries.

To reduce dependence on PAN, which is prone to unfair competitive pressures as above, your Company is diversifying into more value added products which will prove rewarding. Your Company continues to grow the markets for its other Products like Food Acids, Fumaric Acid, etc.

Financial and Operating performance:

The overall Financial performance during the year 2003-2004 was volatile, with the Company even posting a loss during the quarter ended 31/12/2003. During the year 2003-2004, the Company could achieve positive results largely because of the intense cost cutting measures undertaken in operations as well as the attempt to reduce interest costs drastically. Interest costs were lower by about 20%.

Periodic reviews are made of the effectiveness of the internal control system. The internal control systems are considered adequate and sought to be continuously improved. Industrial relations remained cordial.

Prepayment .

In view of the need to lower interest costs, at Company's request, IDBI converted their rupee loans to FC loan. Also, your Company paid off EXIM's loan much earlier than scheduled.

The company has also prepaid the 13% Debentures (later reduced to 10%) subscribed by LIC.

Research and Development:

New products are in various stages of development and testing in our Research and Development initiative.

Opportunities and Threats.

Demand for PAN is indeed on the increase, particularly in the domestic markets. New markets are opening up which bode well for the Company's export endeavours. The Company is actively pursuing to develop increased applications for other value added products manufactured by the Company.

However, the Company is faced with unfair and uneven competition in the domestic market for PAN, due to which, despite having large capacities for PAN is not able to produce to the optimum level. Also, development like the largest segment consuming PAN (which is the Plasticizers segment) importing Plasticizers themselves instead of manufacturing can be impediment to PAN growth.

Risks and concerns.

Lower margins, high raw material prices, surplus and idle capacities, availability of substitutes are some factors which could impact adversely.

Concessions and relief's enjoyed by some PAN manufacturers is a cause for concern and the need is for a level playing field so that undue favours are not bestowed.

Thirumalai Chemicals Ltd.

Outlook :

Your Company hopes that its attempts to reduce operating and interest costs will yield good results. Your Company has grown into a large Company with Global sized plants manufacturing different products. Your Company remains steadfast in its resolve to grow its leadership by building on its strengths for competitive advantage.

Cautionary Statement.

The statements made in the report are based on assumptions and expectations. Actual results may differ in future. The Company assumes no responsibility in respect of forward looking statements that may be amended or modified later, on the basis of subsequent developments, information or events.

EXPORTS:

The Company's exports during the year calculated on FOB basis amounted to Rs. 2,678 Lakhs (Rs. 3,916 Lakhs). Your Company's increased focus on exports is expected to lead to higher exports year after year.

MALAYSIAN JOINT VENTURE:

The turnaround in performance of TCL Industries Malaysia SDN BHD, the Malaysian Joint Venture Company is expected soon. Once the Banks sanction, work is expected to start in changing the feedstock from Benzene to readily available, stable; low price Butane, which will enable the JVC to do better and be on the profitability track within the next 2 to 3 years. The JVC has been regular in meeting all its commitments. Your Company hopes to reap the reward on its investments soon.

DIRECTORS RESPONSIBILITY STATEMENT:

As required pursuant to the Companies (Amendment) Act, 2000, the Board of Directors confirm that.

- i] in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii] the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- iii] the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv] the directors have prepared the annual accounts on a going concern basis.

FINANCE:

All taxes and statutory dues are being paid on time. Payment of interest and instalments to the Financial Institutions and Banks are being made as per schedule. The Company is also very regular in meeting its commitments to its depositors. Deposits aggregating Rs. 6.90 lakhs due for repayment on or before March 31, 2004 were not claimed by the depositors as on that date.

STATEMENT PURSUANT TO LISTING AGREEMENTS:

The Company's shares are listed with The National Stock Exchange, The Mumbai Stock Exchange and Madras Stock Exchange. Your Company has paid the respective annual listing fees up-to-date and there are no arrears.

As the Company's shares are traded at low level in the Madras Stock Exchange, the Shareholders consent is being sought for seeking delisting of Company's shares from The Madras Stock Exchange, also in view of Company's shares already being listed in The BSE as well as the NSE.

REPORT ON CORPORATE GOVERNANCE:

A Report on Corporate governance is annexed herewith. Auditors' Report on the same is also annexed.

PERSONNEL:

Industrial relations continue to remain cordial. The Directors place on record their appreciation of the devoted services rendered by the employees.

DIRECTORS:

Dr.S.Rama Iyer, Mr.Dilip J Thakkar and Mr. Cyril Shroff retire by rotation at the Annual General Meeting and are eligible for reappointment.

Mr.Y.Ramachandran's nomination as Director was withdrawn by LIC during the year. The Directors placed on record their appreciation of the valuable services rendered by Mr.Ramachandran during his tenure.

Mr.Atul Agarwal and Mr.Pradeep Rathi joined the Company's Board as Directors from 28th October, 2003 and 4th May, 2004. The tenor of Mr.Atul Agarwal and Mr.Pradeep Rathi expires at the end of the ensuing AGM and the Company has received notice from shareholder proposing their appointment.

AUDITORS:

M/s.Contractor, Nayak and Kishnadwala, Chartered Accountants, The Statutory Auditors of the Company hold office until the conclusion of the ensuing AGM. The notice convening the AGM is self explanatory. Members are requested to re-appoint M/s. Contractor, Nayak and Kishnadwala as Auditors for the Current Year.

AUDITORS REPORT

The Auditors observations with regard to receipt of interest on term loan advanced to the JVC is self explanatory and does not call for any further comments or explanations.

PARTICULARS OF EMPLOYEES:

No employee of the Company is in receipt of remuneration in excess of the limits under Section 217(2A) of the Companies Act, 1956.

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

The particulars required to be included in terms of Section 217 (1)(e) of the Companies Act, 1956 with regard to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure.

ACKNOWLEDGEMENT:

The Board acknowledges the support given by the Bankers, EXIM BANK, LIC, IDBI, its employees at all levels and the shareholders and depositors for their continued support.

By Order of the Board
For **THIRUMALAI CHEMICALS LIMITED**

S. SRIDHAR
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (E) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTOR'S REPORT.

I) CONSERVATION OF ENERGY :

- 1) Energy saving systems are incorporated wherever necessary. Energy savings are attempted continuously.
- 2) Existing energy saving systems are properly utilized and further devices are added when necessary.

FUEL CONSUMPTION

		Year Ending 31.03.2004	Year Ending 31.03.2003
1	ELECTRICITY		
a)	PURCHASED UNITS		
	Total amount paid	KWHR 1669730	847470
	Rate per unit	Rs. 11344333	6988910
		Rs. 6.79	8.25
b)	OWN GENERATION		
	Unit / litre of Diesel Oil	KWHR 1643786	2655467
	Cost per Unit	KWHR 2.88	2.89
		Rs. 7.42	6.47
2	COAL : Not consumed in the process		
3	FURNACE OIL		
	Quantity	KL 5634.80	7272.03
	Total amount Rs.	59611425	76344518
	Average cost	Rs. 10579.16	10498.38
4	OTHER INTERNAL GENERATIONS	NIL	NIL
5	CONSUMPTION PER TONNE OF PRODUCTION		
a)	PHTHALIC ANHYDRIDE		
	Electricity	KWHR 9.72	4.31
	Furnace Oil	LTR 32.79	37.02
	Others (Diesel)	LTR 3.32	4.67
b)	MALEIC ANHYDRIDE		
	Electricity	KWHR 34.92	13.19
	Furnace Oil	LTR 117.84	113.18
	Others (Diesel)	LTR 11.93	14.28
c)	FOOD ACIDS		
	Electricity	KWHR 139.60	93.46
	Furnace Oil	LTR 471.12	802
	Others (Diesel)	LTR 47.68	101.2

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

Research and Development

- 1) Specific Areas in which R & D activities carried out by the company.
 - a) Improvement in the quality and shelf life of special anhydrides
 - b) Developed new fine chemicals using biotechnological route.
 - c) Development of new value added products from Maleic Anhydride, Phthalic Anhydride and others.
 - d) Reduction in the cost of production on food acids and Special Anhydrides
 - e) Improvement in effluent treatment methods and effluent reduction using microbiological techniques.
- 2) Benefits derived as a result of above effects.
 - a) Improvement of yield in the plants.
 - b) Production of Special Anhydrides and downstream products.
 - c) Improvement in quality of products.
 - d) Optimal utilization of Raw materials in Utility and Fine chemical plants.
- 3) Future plan of action.
 - a) Technical tie up with the World leaders for new product lines
 - b) Process improvement to reduce effluent.
 - c) Reduce energy cost per unit of production.

- 4) Capital Expenditure on R& D (Rs.)
 - a) Capital Rs. 41.50 Lakhs (Rs. 2.84 Lakhs)
 - b) Recurring Rs. 57.34 Lakhs (Rs.40.02 Lakhs)
 - c) Total Rs. 98.84 Lakhs (Rs.42.86 Lakhs)
 - d) Total R& D Expenditure as a % age of Sales 0.38 % (0.16 %)

5. Technology Absorption, Adaptation and Innovation:

- a) Efforts in brief towards absorption, adaptation and innovation.
The technologies required for better products applications and better quality have been adapted and are being developed / improved indigenously.
- b) Benefits derived as a result of the above efforts.
Improvement in the quality of the products, increased productivity and reduced cost of production in all products.
- c) Particulars of Technology imported during the last 5 Years.
None.
- d) Techno-commercial studies of fine chemicals
- e) Food acidulants- awareness to customers, technical services to users of our products.

III) Foreign Exchange Earning and Outgo

Export earnings – Rs. 2,678 Lakhs (Rs. 3,916 Lakhs)

Thirumalai Chemicals Ltd.

CORPORATE GOVERNANCE REPORT

Your Company has complied in all material respect with the features of Corporate Governance Code as per Clause 49 of the Listing agreement with the Stock Exchanges.

A report on the implementation of the Corporate Governance Code of the listing agreement by the Company is furnished below.

CORPORATE PHILOSOPHY.

Fairness, transparency, accountability and responsibility are the essential elements of Corporate governance to which your Company continues to remain committed. The endeavour of the Company is to enhance the reputation of the Company and irrespective of the goals to be achieved, the means are as important as the end.

BOARD OF DIRECTORS.

a) Composition.

- 1) The Board of Directors of your Company presently comprise of an Executive Chairman and Managing Director and Vice-Chairman and Managing Director i.e. 2 Executive Directors and 8 Non Executive Directors.
- 2) The nomination of Mr.Y.Ramachandran as Director by LIC was withdrawn on 4th December 2003.
- 3) All Directors other than Mr.S.Sridhar, Mr.R.Parthasarathy, Mr.S.Santhanam and Mr.R.Sundararajan are independent Directors.
- 4) Mr.Atul Agarwal and Mr.Pradeep Rathi were appointed as Additional Directors at the meeting held on 28th October 2003 and 4th May 2004 respectively.

b) Board Meetings.

5 meetings of the Board of Directors were held on the following dates:

9/6/2003, 28/7/2003, 4/8/2003, 28/10/2003 and 29/1/2004. All operational and statutorily required information were placed before the Board. All significant events were also reported to the Board.

The Company Secretary, in consultation with the Chairman & Managing Director, drafts the agenda of the meeting. Agenda papers along with relevant details are circulated to all Directors, well in advance of the date of the Board meeting.

The Attendance of the Directors at the Board Meetings held during the year and at the last AGM are as follows.

Name of Directors	Attendance at		No. of Directorships of other public Companies.	No. of memberships of Board sub committees.
	Board Meetings	Last AGM		
Mr.S.Sridhar	5	Yes	3	3
Mr.R.Parthasarathy	2	No	1	-
Mr.S.Santhanam	5	Yes	2	1
Mr.Cyril S Shroff	Nil	No	5	-
Mr.R.Sundararajan	5	Yes	-	-
Mr.Pradeep Rathi	NA	NA	8	3
Mr.Dilip J Thakkar	5	Yes	10	10*
Mr.Y.Ramachandran	-	No	-	1
Dr.S.Rama Iyer	3	Yes	1	-
Mr.U.Sundararajan	-	No	2	1
Mr.Atul Agarwal	2	NA	2	2

* of which, 5 as Chairman.

c) Remuneration of Directors.

The remuneration paid to the Managing Directors is within the ceiling as per the resolution approved by the shareholders.

Details of remuneration paid to the Managing Directors during the year ended 31/3/2004 is :

Name	Position	Salary Rs.	Commission Rs.	Contribution to PF and other Funds (Rs.)	Perquisites Rs.
S. Sridhar	Chairman & Mg. Director	768,000	1,086,643	207,360	69,220
R. Parthasarathy	Vice -Chairman & Mg. Director	768,000	1,086,643	207,360	94,385

Sitting fees is payable to the Non-Executive Directors for attending Board/Committee meetings. The sitting fees paid to the non-executive Directors is as under :

Mr.Dilip J Thakkar	-Rs.76,000.
Mr.S.Santhanam	-Rs.76,000
Dr.S.Rama Iyer	-Rs.22,000
Mr.Atul Agarwal	-Rs.60,000
Mr.R.Sundararajan	-Rs.26,000

BOARD COMMITTEES :**a) Audit Committee.**

The Audit Committee comprises of the following members:

Mr. Dilip J Thakkar – Chairman

Mr. Y. Ramachandran-(till 4/12/2003)

Mr. S. Santhanam.

Mr. Atul Agarwal-(from 28/10/2003)

Mr. Thakkar is an eminent Chartered Accountant, Mr. Y Ramachandran , the nominee of LIC , Mr. Atul Agarwal, a qualified Chartered Accountant and Mr. S. Santhanam is a non-Executive Director.

Four meetings of the Audit Committee of the Board of Directors were held during the year 2003-2004 on 4/6/2003, 28/7/2003, 28/10/2003 and 29/1/2004.

The Audit Committee meetings as above were attended by all the Audit Committee members except Mr. Y. Ramachandran who remained absent . The concerned partner of the Statutory Auditors attended all the meetings, while the partner of the Internal Auditor was invited to attend the meeting held on 4/6/2003 and was present . The Company Secretary and The Finance Manager also attend all the Audit committee meetings.

The Audit Committee discussed the Company's accounts as also the periodic quarterly results before it was placed before the Board of Directors and also had overview of the Company's financial reporting process. The Audit Committee reviews the quarterly and annual results before it is considered by the Board of Directors. Also reviewed by the Audit Committee is the Group Company transactions as also the Internal Auditors Report and Action taken report thereon.

b) Share Transfer/Investors Grievance Committee.

The Share Transfer / Investors Grievance Committee constitutes of the following members:

1] Mr. S. Sridhar

2] Mr. S. Santhanam

3] Mr. Dilip J Thakkar

Mr. S. Madhavan, the Company Secretary is the Compliance Officer. During the year, the Company received 87 queries/complaints from Shareholders which were all resolved promptly. The process of share transfer is delegated and is done about once a fortnight (depending on transfers received) which is confirmed and ratified by the Board of Directors at the next meeting.

The Committee meets as often as is necessary. There has been no complaints from any investor which has not been redressed promptly. No meeting of the Share Transfer/Investors Grievance Committee was held during the year 2003-2004.

GENERAL BODY MEETINGS.

The Thirtyfirst Annual General Meeting of the Company for the financial year 2003- 2004 would be held on Monday, July 5, 2004 at 4.00 p.m. at The Mysore Association Auditorium, Bhaudaji Road, Matunga , Mumbai- 400 019.

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2002-2003	4/8/2003	4.00 p.m.	Mysore Association Auditorium Bhaudaji Road, Matunga- (C.Rly) Mumbai.
2001-2002	5/8 /2002	4.00 p.m	Mysore Association Auditorium Bhaudaji Road, Matunga- (C.Rly) Mumbai.
2000-2001	17/9/2001	4.00 p.m	—Do—

During these meetings, all resolutions were passed unanimously/by majority.

There have been no ordinary or special resolutions passed by the Company's shareholders through postal ballot.

DISCLOSURES.

The Company 's internal Audit is done by a firm of Chartered Accountants. The reports submitted by the Internal Auditors on the operations and financial transactions and the Action Taken Report on the same are placed before the Board of Directors / Audit Committee also, apart from the Statutory Auditors and the senior management of the Company.

For every quarter, the President of the Factory at Ranipet and the Dy. Manager (Accounts), make report of Statutory compliances which are placed before the Audit Committee, which is a detailed report. At the Board meeting following the Audit Committee meeting , the Company Secretary makes a report confirming statutory compliances for the said quarter. Also, at such meetings, the Managing Directors also confirm to the Board of all Statutory Compliances.

There were no material significant transactions with the Directors or the management or their subsidiaries or relatives that have any potential conflict with the interest of the Company. All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board , and the interested Directors neither participate in the discussion, nor do they vote on such matters.

There were no case of non-compliance by the Company, nor any cases of penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.