

# **32<sup>nd</sup> Annual Report 2004 - 2005**

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**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 :**

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. : 244441/244442/244443  
 Fax : 04172-244308  
 E-mail : mail@thirumalaichemicals.com  
 Web : http://www.thirumalaichemicals.com

**32<sup>ND</sup> ANNUAL  
GENERAL MEETING****DATE :**

Monday, August 29, 2005  
 at 4.00 p.m.

**VENUE :**

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

**DIVIDEND :**

60%

**DIVIDEND ELIGIBILITY :**

For : Regd. Member  
 Physical Shares : As on August 29, 2005  
 Demat Shares : As at the close of Business  
 hours on August 16,  
 2005, per the list of  
 beneficial ownership  
 furnished by the  
 Depositories.

**BOOK CLOSURE :**

August 17, 2005 to August 29, 2005

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Members are requested to bring ti  
 them to the Annual General Meeti

## NOTICE

NOTICE is hereby given that the **THIRTY SECOND 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, August 29, 2005 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, 2005 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 Mr.R.Sundararajan, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S.Santhanam, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr.U.Sundararajan, 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 pursuant to Sections 198,269,309,Schedule XIII and other applicable provisions, if any of the Companies Act,1956, the Company hereby accords its approval to the reappointment of Mr S.Sridhar as Chairman and Managing Director of the Company for a fresh period of five years from August 1<sup>st</sup>, 2005 on the terms and conditions as set out in the draft letter of appointment submitted to the meeting and for identification initialled by the Chairman of the Company and Mr.S.Sridhar may be paid the following remuneration :

- i) Salary per month Rs. 75,000/- (with normal Annual increments of 10 % and provision to pay multiple normal annual increments (upto five in an year ) as may be recommended by the Audit / Remuneration Committee).
- ii) Commission of 1% of net profits of the Company as computed under Section 309 of the Companies Act, 1956.

#### RESOLVED FURTHER THAT :

- a) In addition to the above remuneration, Mr.S.Sridhar shall be entitled to perquisites like HRA/unfurnished/ furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, medical insurance for self and family, telephone etc; in accordance with the rules of the company, such perquisites being restricted to Rs.8 Lakhs per annum.
  - b) Company's contribution to Provident fund and Superannuation fund or payments made in lieu of such contributions, Gratuity payment and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Mr.S.Sridhar shall be entitled to the same.
- RESOLVED further that in the event of absence or inadequacy of profits in any financial year, the Company do pay to Mr.S.Sridhar upto such amount as remuneration as may be permissible under Section II of Part II to Schedule XIII to the Companies Act ,1956 as minimum remuneration.

- 8) To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED that pursuant to Sections 198,269,309,Schedule XIII and other applicable provisions, if any, of the Companies Act,1956, the Company hereby accords its approval to the reappointment of Mr R.Parthasarathy as Vice- Chairman and Managing Director of the Company for a fresh period of five years from August 1<sup>st</sup>,2005 on the terms and conditions as set out in the draft letter of appointment submitted to the meeting and for identification initialled by the Chairman of the Company and Mr.R.Parthasarathy may be paid the following remuneration:

- i) Salary per month Rs. 75,000/- (with normal Annual increments of 10 % and provision to pay multiple normal annual increments (upto five in any year ) as may be recommended by the Audit / Remuneration Committee).
- ii) Commission of 1% of net profits of the Company as computed under Section 309 of the Companies Act, 1956.

#### RESOLVED FURTHER THAT :

- a) In addition to the above remuneration, Mr.R.Parthasarathy shall be entitled to perquisites like HRA/unfurnished/ furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, medical insurance for self and family, telephone etc; in accordance with the rules of the company, such perquisites being restricted to Rs.8 Lakhs per annum.
- b) Company's contribution to Provident Fund and Superannuation Fund or payments made in lieu of such contributions, Gratuity payment and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Mr.R.Parthasarathy shall be entitled to the same.

RESOLVED further that in the event of absence or inadequacy of profits in any financial year, the Company do pay to Mr.R.Parthasarathy upto such amount as remuneration as may be permissible under Section II of Part II to Schedule XIII to the Companies Act ,1956 as minimum remuneration.

- 9) To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution.

"RESOLVED that pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, if necessary, Company hereby accords its approval to the revision in salary of Mr. S.V Rajan, Marketing Executive, a relative (within the meaning of Section 6 of the Companies Act, 1956) of Directors of the Company, and holding an office or place of profit in the Company, the revision being effective from June, 1<sup>st</sup>, 2005. as under :

- |                                       |  |
|---------------------------------------|--|
| i) Basic Salary per month:            | Rs. 25,000 (with Annual increments as per Company's rules) |
| ii) HRA (per month)                   | @ 25% of Basic Salary                                      |
| iii) LTA (per month)                  | @ 8.33% of Basic Salary                                    |
| iv) Medical Reimbursement (per annum) | @ 8.33% of Basic Salary                                    |

- v) In addition to the above, Mr. S. V. Rajan will be entitled to Provident Fund and Superannuation Fund Contributions or payments in lieu of such contributions as also to Gratuity , Mediclaim Insurance for self and family, encashment of leave and any other payment like Bonus, Conveyance allowance, Children Education allowance etc as per the Rules of the Company as paid to other executives.

### Registered Office :

Thirumalai House,  
Road No. 29, Sion-East ,  
Mumbai- 400 022.  
July 15, 2005.

**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 Wednesday, August 17, 2005 to Monday, August 29, 2005 (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 shareholders whose names appear at the close of Business hours on Tuesday, August 16, 2005 as Beneficial owners 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

# Thirumalai Chemicals Ltd.

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](mailto: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 :  
Mr.R.Sundararajan, Mr.S.Santhanam and Mr. U.Sundararajan, Directors of the Company , retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.  
Mr.R.Sundararajan, 60 years has been a director of the Company from 9<sup>th</sup> August 1990. He is a Mechanical Engineer and reputed Businessman and Industrialist from Chennai with vast experience and knowledge. He is the Managing Director of Shri Balaji Moulds P Ltd.  
Mr.S.Santhanam, 65 years , has been Director of the Company since 22<sup>nd</sup> November 1991. He is a Printing Technologist and also Director of Ultramarine and Pigments Limited and TCL Industries (Malaysia ) SDN BHD. He is a reputed Businessman and Industrialist in Mumbai. He is the brother of Mr.S.Sridhar, Chairman and Managing Director of the Company.  
Mr.U.Sundararajan, 62 years, was appointed as Director of the Company with effect from 28<sup>th</sup> October 2002. Mr.Sundararajan , a qualified Cost Accountant, retired earlier as the Chairman and Managing Director of Bharat Petroleum Corporation Limited . He has vast knowledge and expertise of various matters particularly related to the hydro carbon sector. He is also the Director on ONGC Limited, Larsen and Toubro Limited and Cochin Shipyard Limited. The Company regularly seeks inputs from Mr.Sundararajan and values his advice.
- g) Members are requested to notify their Depository Participant(DP) / Company's Registrars viz: Intime Spectrum Registry Limited, C-13, Pannalal 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 and 8

Mr. S.Sridhar and Mr.R.Parthasarathy were appointed as Chairman & Managing Director and Vice-Chairman and Managing Director of the Company respectively for a period of 5 Years effective August 1, 2000 as per the terms and conditions approved by the Shareholders at the Annual General Meeting held on July 24, 2000 as briefly stated hereunder;

#### Remuneration

- I. Salary- Rs. 55,000 per month in the scale of Rs. 55,000 - 3,000 - 70000.
- II Commission- 1% of the net profits of the Company as computed under Section 309 of the Companies Act, 1956.
- III. Perquisites- Restricted to Rs. 8 Lakhs per annum (Company's contribution to Provident Fund and Superannuation Fund , gratuity payment in accordance with the rules of the Company and encashment of leave at the end of the tenure was not to be included in the computation of limits for remuneration or perquisites aforesaid.)  
Mr. S. Sridhar and Mr.R.Parthasarathy have been associated with the Company for about 30 Years. Mr. S. Sridhar , the present Chairman & Managing Director is a Science Graduate and a Chartered Accountant while Mr.R.Parthasarathy is B.Tech., M.S., Wisconsin, USA. Both have over 30 years of experience in the Petrochemical Industry . Under their able stewardship, the Company has been able to grow the business, overcome lean phases in last few years and emerge stronger. Also, the Company has successfully commissioned several new projects. The Company has made significant progress under the Managing Directorships of Mr.S.Sridhar and Mr.R.Parthasarathy.  
The Audit Committee of the Board of Directors had recommended the appointment of Mr.S.Sridhar as Chairman and Managing Director and Mr.R.Parthasarathy as Vice-Chairman and Managing Director and pay them the remuneration as is proposed in the resolution.  
The Managing Directors shall report to the Board of Directors and shall devote whole time and attention to the business of the Company. They shall perform such of the functions as may from time to time be entrusted to them by the Board. All their acts shall be subject to the supervision and control of the Board of Directors.  
The Board is of the opinion that the reappointment of Mr. S.Sridhar as Chairman & Managing Director and of Mr. R.Parthasarathy as Vice-Chairman & Managing Director for a fresh period of 5 years effective August 1, 2005 and the payment of remuneration as stated in the resolution would be in the interest of the Company. The draft letters of appointment referred in the resolution are open for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on any working day until the day of Annual General Meeting or any adjournment thereof.  
Mr. S.Sridhar is a relative of Mr. S. Santhanam, Director of the Company, who may be deemed to be interested in the resolution relating to the reappointment of Mr. S.Sridhar as Chairman & Managing Director. None of the other Directors of the Company except Mr. S.Sridhar and Mr. R.Parthasarathy are in any way concerned or interested in the resolutions.  
This explanatory statement together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956.  
The Board commends the Resolutions at items 7 and 8 of the Notice for acceptance by the members.

### ITEM. No. 9

Under the prevailing provisions of Section 314 of the Companies Act,1956, approval of the shareholders by way of special resolution is required for appointment of relative of Director to an office or place of profit carrying monthly remuneration in excess of Rs.10,000.

Mr. S.V.Rajan, B.Com, MBA (Marketing) has been working with the Company since April 1, 1998. He is relative of Mr.S.Santhanam, Director of the Company. He is working in the Marketing Department as Marketing Executive. Mr.Rajan has gained good experience in Marketing the various Company's products . Mr.Rajan also has experience in marketing the products of Chemidye Manufacturing Co P.Ltd, which Company is proposed to be amalgamated with the Company. The remuneration being drawn by Mr.Rajan was as approved by the Shareholders at the meeting held on 6<sup>th</sup> September 1999.

It is proposed to revise the remuneration of Mr.S.V.Rajan with effect from 1<sup>st</sup> June 2005. The details of remuneration to be drawn by Mr.Rajan is given in the resolution.

In view of increased responsibilities being shouldered by Mr.Rajan, the Audit Committee and the Board of Directors recommended payment of increased remuneration as detailed in the notice.

The Board of Directors recommend the special resolution at item No.9 for your approval.

None of the Directors of the Company except Mr.S.Santhanam is concerned or interested in the resolution.

#### Registered Office :

Thirumalai House,  
Road No. 29, Sion-East ,  
Mumbai- 400 022.  
July 15, 2005.

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 SECOND ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended March 31, 2005.

	Rs. ( in Lakhs )	
	Year ended 31/3/2005	Year ended 31/3/2004
<b>FINANCIAL RESULTS</b>		
Sales	40,112	26,317
Other Income	501	372
	<b>40,613</b>	<b>26,689</b>
<b>Gross Profit before Interest and Finance</b>		
<b>Charges and Depreciation</b>	<b>3,553</b>	<b>2,942</b>
Interest and Finance charges	724	800
<b>Profit before Depreciation and Tax</b>	<b>2,829</b>	<b>2,143</b>
Depreciation	1,110	1,087
<b>Profit before Tax</b>	<b>1,719</b>	<b>1,056</b>
Provision for Current Tax	792	82
<b>Profit after Current Tax</b>	<b>927</b>	<b>974</b>
Provision for Deferred Tax	(405)	(73)
Prior Year Adjustment	(3)	3
<b>Profit after Tax</b>	<b>1,335</b>	<b>1,044</b>
Balance in Profit & Loss Account	1,256	947
Profit available for appropriation	<b>2,591</b>	<b>1,991</b>
<b>APPROPRIATIONS</b>		
Dividend	597	498
Tax on Dividend	84	64
Debenture Redemption reserve	-	63
General Reserve	135	110
Balance carried forward	1,775	1,256
	<b>2,591</b>	<b>1,991</b>

On a Sales turnover of Rs. 40,112 Lakhs (Rs. 26,317 lakhs) including Export earning on FOB-basis of Rs. 3,530 Lakhs (Rs. 2,678 Lakhs) and Other Income of Rs. 501 Lakhs (Rs. 372 Lakhs), the Gross Profit of the Company amounted to Rs. 3,553 Lakhs (Rs. 2,943 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 1,335 Lakhs compared to Rs. 1,044 Lakhs in the previous year.

### **DIVIDEND:**

Your Directors are pleased to recommend payment of Dividend @60%.

The total cash outflow on account of this dividend payment including distribution tax will be Rs. 681 Lakhs. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around 2nd September, 2005.

### **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. The Company's business philosophy is centred on being in a business with an early mover advantage, making investments commensurate with the needs of the business as also based on Company's financial strengths. We believe that we have built a strong foundation on which we can base a sustainable long-term growth.

#### **Industry Developments:**

As can be expected in any business, the Company is also prone to vagaries of the market. Over the years, the Company has experienced great volatility in each of its products.

The Company hitherto has not been able to operate its Phthalic Anhydride (PAN) Plant to its full capacity due to depressed markets and lack of remunerative margins. Plasticizers, Pigments and Resins have been the biggest sectors consuming PAN.

With the consistent growth of the Pigments and Resins market, the demand for PAN, which is the Company's main product, is increasing steadily. This should lead to increasing demand for PAN and consequently higher capacity utilization. Our Country is set to be the hub for meeting global demand for pigments and this bodes well for the Company as demand for PAN can be expected to increase. Further, Plasticizers market, which have been traditionally a major market for PAN, are expected to do better in the coming years and that should be encouraging.

Volatility in prices of the raw material as also the Company's end products are normal features in this line of business which has a bearing on the Company's operations. While Orthoxylene prices had shot up steeply in the last year and lately receded, current trends are towards stability in prices of PAN at current levels with upward bias.

However, steep rise in Benzene prices, which is also the raw material for manufacture of Maleic Anhydride (MAN), impacted adversely the operation of the Food Acids plant. Also, import of MAN by few around mid last year, mostly at prices which had no co-relation to the ruling international prices and obviously with a view to evade import duties, did have its bearing on Company's MAN output and margins. The Company hopes that the authorities will take appropriate steps to curb such malpractices.

Despite obstacles, which the Company believes are not unsurmountable, the Company's endeavours always remain higher utilization of its Plant capacities for its diverse products. Your Company will continue to grow the markets for its value added Products like Food Acids, Fumaric Acid, etc as they are expected to prove rewarding over the long run.

#### **Financial and Operating performance:**

The overall Financial performance during the year 2004 - 2005 was quite satisfactory. The Company could achieve record sales thanks largely due to higher utilization of capacities as also higher prices and better realisation for its end products. During the year 2004 -2005, the Company earned Net Profits after Tax of Rs. 13.35 Crores. The Company could have achieved higher net profits but for the large outgo towards Income tax of about Rs. 3.86 Crores. The Company continues to pursue cost cutting measures undertaken in operations as well as the attempt to reduce interest costs drastically. Interest costs were lower by about 9 % during the year. 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.

#### **Research and Development:**

The Company started a new division titled 'TCL Research' to carry out value added services based on the Company's strengths and its expertise. The Company is also working on few products which are in various stages of development and testing at our Research and Development department.

The Company has received approval for its in-house Research and Development facility for process development of Fine Chemicals and Speciality Chemicals under Section 35 (2AB) of the Income Tax, 1961.

#### **Opportunities and Threats:**

Demand for PAN is on the increase, particularly in the domestic markets due to the strong growth posted by the Pigment segment. The Company's export endeavours could get a boost with nearby markets opening up. The Company is actively pursuing to develop increased applications for other value added products manufactured by the Company. Stability in prices of Benzene to normal levels could translate into higher utilization of capacities of Food Acids plant.

However, the Company continues to be 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, imports of MAN and that too at ridiculous prices are worrying factors which could impact the margins in MAN. Indiscriminate imports of MAN as also PAN on a large scale, although unlikely, could disturb the markets and squeeze margins. High Benzene prices could be a dampener for running the Food Acids Plant to optimum capacity. Volatility in prices of raw materials as also the end products could be factors impacting PAN/ MAN manufacture. Developments like the Plasticizer segment importing Plasticizers themselves instead of manufacturing it can be impediment to PAN growth.

#### **Risks and concerns:**

Lower margins, high raw material prices, surplus and idle capacities, availability of substitutes, dumping, indiscriminate imports, Foreign

# Thirumalai Chemicals Ltd.

change fluctuations, duty changes are some factors which could impact adversely.

cessions and reliefs enjoyed by some PAN manufacturers is a cause of concern and the need is for a level playing field so that undue favours are not given to any particular sector. Also, dumping of MAN/ imports of PAN coming into our Country at very low numbers is a matter of concern.

## Outlook:

Our Company remains optimistic about the bright future lying ahead for the Company. It will endeavour to grow its leadership by building on its strengths for competitive advantage. Your Company has grown into a large company with Global sized plants manufacturing different products. Your Company believes that its attempts to reduce operating and interest costs also operate its Plants at higher levels will yield good results.

## 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. 3,530 Lakhs (Rs. 2,678 Lakhs). The Company has been accorded the status of 'One Star Export House' which is a recognition of the company's export endeavours. Your Company looks at increased focus on exports to achieve higher exports year after year.

## Malaysian Joint Venture:

The performance of TCL Industries Malaysia SDN BHD, the Malaysian Joint Venture Company is on expected lines. The revenues of the JVC were up about 46% over previous year while the Company earned higher cash profits compared to the previous year. The net loss were almost the same as in the previous year despite higher finance burden of over 9%. The JVC has been regular in meeting all its commitments to its Banks. Changing the feedstock from Benzene to Butane will enable the JVC to do better and be on the profitability track soon. Your Company remains optimistic about reaping the reward on its investments soon.

## AMALGAMATION OF CHEMIDYE MANUFACTURING COMPANY PVT. LTD. WITH THE COMPANY:

Chemidye Manufacturing Company Pvt Ltd. (Chemidye), a group Company has been in existence for last 55 years and has been a closely held Company. Chemidye has been a consumer of Company's products. Chemidye has been engaged in manufacture of Plasticizers as also Phthalamide with its Plant situated at Ranipet, Tamil Nadu, adjoining the Company's factory. Chemidye, which also has an Export Oriented Unit, has been a profitable Company but could not capitalize fully the boom in the Chemicals sector due to constrained growth.

In view of synergies in operations of Chemidye with the Company as also to give further push to Company's diversification moves, a proposal to consider amalgamation of Chemidye Manufacturing Company Pvt. Ltd. (Chemidye) with the Company has been approved by the Board of Directors, subject to shareholders and Hon'ble High Court's approval. Post amalgamation, the Company will be able to operate Chemidye's plants more economically as also expand into/focus on more profitable operations. With Chemidye's requirement of main raw material being available inhouse, and its main customers being around /near the factory premises, your Company is poised to reap immense benefits out of the amalgamation. The Company's investment in 18,200 shares of Chemidye will get cancelled and the shareholding of the Company will increase nominally by about 279,000 by issue of shares to the other Shareholders of Chemidye. The amalgamation will be effective 1st April 2005, subject to Approvals.

## 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 judgments 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. 10.12 Lakhs due for repayment on or before March 31, 2005 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 and The Mumbai 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 Company got consent for delisting of Company's shares from The Madras Stock Exchange during the year.

## 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:

Mr R. Sundararajan, Mr. S. Santhanam and Mr. U. Sundararajan retire by rotation at the Annual General Meeting and are eligible for reappointment. The term of office of Mr. S. Sridhar - Chairman & Managing Director and Mr. R. Parthasarathy - Vice-Chairman & Managing Director expires on 31st July 2005. Both have consented to be reappointed for a further five year term from August 1, 2005. It is proposed to reappoint them for further 5 year term on terms as proposed in the Notice convening the Annual General Meeting. New initiatives undertaken by the Company needs continued involvement and guidance of the Managing Directors. Despite difficult market conditions, your Company has made good progress and is now poised for consolidation.

The Board commends the aforesaid appointments.

## 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.

## PARTICULARS OF EMPLOYEES:

The details of employees of the Company in receipt of remuneration in excess of the limits under Section 2(7)(2A) of the Companies Act, 1956 is given in Annexure 1.

## 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 2.

## ACKNOWLEDGEMENT:

The Board acknowledges the support given by the Bankers, EXIM BANK, 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 1 TO DIRECTOR'S REPORT

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended by the Companies Amendment Act, 1988 and forming part of the Directors Report for the year ended 31st March, 2005.

Sr. No.	Name of the Employee	Age [Years]	Qualification and Designation Experience	Remuneration Rs.	Date of Commencement	Last Employment Held	
1.	Mr. S. Sridhar	54	B.Sc., ACA 29 Years	Chairman & Mg. Director	Rs. 2,903,289	01/04/1979	Chief Accountant - Ultramarine & Pigments Ltd.
2.	Mr. R. Parthasarathy	54	B. Tech., M.S. Wisconsin - U.S.A. 31 Years	Vice - Chairman & Mg. Director	Rs. 2,883,671	03/04/1974	-

### NOTES.

- 1] Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Medical Benefits and Leave Travel Allowance.
- 2] Nature of Employment is Contractual.
- 3] Mr. S. Sridhar is a relative of Mr. S. Santhanam, Director of the Company.

## ANNEXURE 2 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 2004-05	Year Ending 2003-04
<b>1 ELECTRICITY</b>			
a) <b>PURCHASED UNITS</b>	KWHR	2135880	1669730
Total amount paid	Rs.	11362398	11344333
Rate per unit	Rs.	5.32	6.79
b) <b>OWN GENERATION</b>	KWHR	2329987	1643786
Unit / litre of Diesel Oil	KWHR	2.83	2.88
Cost per Unit	Rs.	9.12	7.42
<b>2 COAL</b> : Not consumed in the process			
<b>3 FURNACE OIL</b>			
Quantity	KL	6380.42	5634.80
Total amount	Rs.	70104670	59611425
Average cost	Rs.	10987.47	10579.16
<b>4 OTHER INTERNAL GENERATIONS</b>		NIL	NIL
<b>5 CONSUMPTION PER TONNE OF PRODUCTION</b>			
a) <b>PHTHALIC ANHYDRIDE</b>			
Electricity	KWHR	16.47	9.72
Furnace Oil	LTR	49.21	32.79
Others (Diesel)	LTR	5.62	3.32
b) <b>MALEIC ANHYDRIDE</b>			
Electricity	KWHR	68.10	34.92
Furnace Oil	LTR	203.44	117.84
Others (Diesel)	LTR	23.25	11.93
c) <b>FOOD ACIDS</b>			
Electricity	KWHR	156.94	139.80
Furnace Oil	LTR	468.81	471.12
Others (Diesel)	LTR	53.58	47.68

### 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 quantity 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. 20.54 Lakhs ( Rs. 41.50 Lakhs )
  - b) Recurring Rs. 79.38 Lakhs ( Rs. 57.34 Lakhs )
  - c) Total Rs. 99.92 Lakhs, ( Rs. 98.84 Lakhs )
  - d) Total R & D Expenditure as a % age of Sales 0.25 % (0.38 %)
- 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. 3,530 Lakhs (Rs. 2,678 Lakhs)

## CORPORATE GOVERNANCE REPORT

### CORPORATE PHILOSOPHY

The Company believes that good Corporate Governance embraces business practices which result in enhancement of the value to the shareholders and simultaneously enable the company to fulfill its obligations to the other stakeholders such as customers, vendors, employees and to the society in general.

The company continues to remain committed to fairness, transparency, accountability and responsibility.

In this report the company confirms its compliance with the corporate governance code as required by Clause 49 of the listing agreement with the Stock Exchanges.

### 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) All Directors other than Mr.S.Sridhar, Mr.R.Parthasarathy, Mr.S.Santhanam and Mr.R.Sundararajan are independent Directors.

#### b) Board Meetings.

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

4/5/2004, 5/7/2004, 20/10/2004 and 24/1/2005 . 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	Board Meetings	Attendance at Last AGM	No.of Directorships of other Pub Companies.	No.of memberships of Board sub committees.
Mr.S.Sridhar	4	Yes	3	3@
Mr.R.Parthasarathy	3	Yes	1	-
Mr.S.Santhanam	4	Yes	2	1
Mr.Cyril S Shroff	-	No	5	-
Mr.R.Sundararajan	3	No	-	-
Mr.Pradeep Rathi	1	No	8	3
Mr.Dilip J Thakkar	4	Yes	10	10*
Dr.S.Rama Iyer	1	No	1	-
Mr.U.Sundararajan	-	No	3	2
Mr.Atul Agarwal	4	Yes	2	2

@ of which 1 as Chairman

\* 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 31/3/2005 is :

Name	Position	Salary (Rs.)	Commission (Rs.)	Contribution to P. F. and other Fund (Rs.)	Perquisites (Rs.)
S. Sridhar	Chairman & Mg. Director	804,000	1,773,366	217,080	108,843
R. Parthasarathy	Vice -Chairman & Mg. Director	804,000	1,773,366	217,080	89,225

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. 2,40,000
Mr.S.Santhanam	-	Rs. 2,40,000
Dr. S.Rama Iyer	-	Rs. 20,000
Mr. Atul Agarwal	-	Rs. 1,60,000
Mr.R.Sundararajan	-	Rs. 60,000
Mr.Pradeep Rathi	-	Rs. 20,000



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

The Audit Committee comprises of the following members:

Mr. Dilip J Thakkar - Chairman

Mr. S. Santhanam

Mr. Atul Agarwal

Mr. Thakkar is an eminent practicing Chartered Accountant, also the Director in several Companies including 10 Public Companies (as also member in 10 Committees of Board with Chairmanship of 5 Committees). Mr. Atul Agarwal, also a qualified Chartered Accountant is apart from being the Joint Managing Director of Mercator Lines Limited, is also the Director of Mercator Healthcare Limited and Indian National Shipowners Association. Mr. S. Santhanam, Printing Technologist, having vast management experience, is a Non-Executive Director and is the Director of another 2 Public Companies.

Four meetings of the Audit Committee of the Board of Directors of the Board were held during the year 2004-2005 on 4/5/2004, 5/7/2004, 20/10/2004 and 24/1/2005.

The Audit Committee meetings as above were attended by all the Audit Committee members. 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 4/5/2004 and was present. The Company Secretary and The General Manager-Finance & taxation 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 59 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. Four meetings of the Share Transfer/Investors Grievance Committee was held during the year 2004-2005.

**GENERAL BODY MEETINGS.**

The Thirty Second Annual General Meeting of the Company for the financial year 2004- 2005 would be held on Monday August 29, 2005, 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.
2003-2004	5/7/2004	4.00 p.m	Mysore Association Auditorium Bhaudaji Road, Matunga-(C.Rly) Mumbai.
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.

During these meetings, all resolutions were passed unanimously.

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/ Works Manager 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.

# Thirumalai Chemicals Ltd.

## MEANS OF COMMUNICATION :

The Company has promptly reported all material information including quarterly results and press releases to the Stock Exchanges where the Company's securities are listed. The quarterly results were communicated to the shareholders by way of advertisement in a National daily and in a vernacular language newspaper.

## GENERAL SHAREHOLDERS INFORMATION :

- 1) Date, Time and Venue of 32nd AGM : Monday, August 29, 2005 at 4.00 p.m. at Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai- 400 019.
- 2) Date of Book Closure : Wednesday, August 17, 2005 to Monday, August 29, 2005.
- 3) Listing on Stock Exchanges : Mumbai (BSE) and National Stock Exchange (NSE). (Company's shares voluntarily delisted from Madras Stock Exchange during the year)
- 4) Listing fees : Paid as per the listing agreement.
- 5) ISIN No: : INE 338A01016.
- 6) BSE Stock code : 500412  
NSE Stock code : TIRUMALCHM
- 7) Registered office : Thirumalai House,  
Road No. 29,  
Sion-East,  
Mumbai-400 022  
Tel: +91-22- 24017841/7861/7853/7869/7834  
Fax: +91-22-24011699/4754  
E-mail- anand@thiruchem.com
- 8) Registrar & Share Transfer Agent : Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Road,  
Bhandup (W)  
Mumbai-400 078.  
Tel: +91-22-55555454  
Fax: +91-22-55555353.  
E-mail- isrl@intimespectrum.com
- 9) Compliance Officer : Mr.S.Madhavan, Company Secretary.  
Thirumalai Chemicals limited  
Thirumalai House,  
Road No.29,  
Sion (East),  
Mumbai- 400 022.  
Tel: +91-22-24017841/61/53.  
Fax: +91-22-24011699.  
E-mail- madhavan@thiruchem.com
- 10) Share Transfer system : The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares sent for physical transfer or dematerialisation requests are registered promptly within 15 days from the date of receipt of completed and validly executed documents.
- 11) Financial Calendar : Annual Results - early June, 2005  
Mailing of Annual Reports - end July, 2005  
June Quarter Results - end July, 2005  
September Quarter Results - end October, 2005  
December Quarter Results - end January, 2006
- 12) Dividend payment dates : Around 2nd Sept., 2005
- 13) Dematerialisation of shares : As on 31/3/2005, 91.60 % of the Company's Shares representing 91,22,830 shares were held in the dematerialized form.
- 14) Plant Location : Ranipet,  
North Arcot District,  
Tamil Nadu.  
Tel: +04172-244441  
Fax: +04172-244308.  
E-Mail: mail@thirumalaichemicals.com