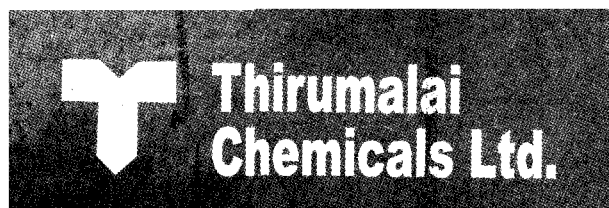


33rd Annual Report 2005 - 2006



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 India
 Indian Bank
 Oriental Bank of Commerce
 State Bank of India
 The Dhanalakshmi Bank Ltd.
 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. : 2596 3838
 Fax : 2594 6969
 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

**33RD ANNUAL
GENERAL MEETING****DATE :**

Monday, July 24, 2006
 at 4.00 p.m.

VENUE :

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

DIVIDEND :

65%

DIVIDEND ELIGIBILITY :

For : Regd. Member
 Physical Shares : As on July 24, 2006
 Demat Shares : As at the close of Business
 hours on July 10,
 2006, per the list of
 beneficial ownership
 furnished by the
 Depositories.

BOOK CLOSURE :

July 11, 2006 to July 24, 2006

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

N O T I C E

NOTICE is hereby given that the **THIRTY THIRD 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 24, 2006 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, 2006 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 Shroff, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors for the current Year and fix their remuneration.

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

S. MADHAVAN
SECRETARY

Registered Office:

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

May 19, 2006.



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) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, July 11 , 2006 to Monday, July 24, 2006 (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 Monday, July 10 ,2006 as Beneficial owners on the basis of particulars of beneficial ownership furnished by the depositories for the purpose.
- d) 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: 25963838, Fax No. 25946969, 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) Re-appointment of retiring Directors :

Dr.S.Rama Iyer, Mr.Dilip J Thakkar and Mr.Cyril 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, 66 years has been a director of the Company from 25th November 1997. He is a Phd, M.I.I. Chem.E and a reputed Technocrat with vast experience and knowledge. He is the Executive Chairman of Aker Kvaerner Powergas Ltd , Chairman and Director of Xytel India P.Ltd and Director of Powergas Information Technology Services P.Ltd and Indsil Electrosmelts Ltd. He does not hold any shares in the Company.

Thirumalai Chemicals Ltd.

Mr. Dilip J Thakkar , 69 years has been a Director of the Company since 20th March 1998. Mr.Dilip J Thakkar is an eminent Chartered Accountant with vast experience and knowledge in Collaboration, Joint Ventures etc. He is on the Board of several Public Limited Companies including Himatsingka Seide Ltd, PAE Ltd, Essar Oil Ltd, Omega Management Services Ltd, Wearology Ltd, Deccan Florabase Ltd, The Ruby Mills Ltd, Indo Count Industries Ltd, Walchandnagar Industries Ltd and Panasonic Battery India Co.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. He does not hold any shares in the Company.

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 newspapers 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 and Grasim Industries Ltd. He holds 1050 Shares representing 0.01% of the Company's paid up Share capital.

- 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. 25963838, Fax No.25946969, Email-isrf@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.

By the Order of the Board
For THIRUMALAI CHEMICALS LIMITED

S. MADHAVAN
SECRETARY

Registered Office:
Thirumalai House
Road No.29,
Sion-East,
Mumbai - 400 022.

May 19, 2006.

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,

Thirumalai Chemicals Ltd.

Your Directors present their THIRTY THIRD ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2006.

| | Rs. (in Lakhs) | |
|---|-------------------------|-------------------------|
| | Year ended 31/3/2006 | Year ended 31/3/2005 |
| FINANCIAL RESULTS | | |
| Sales | 41,815 | 40,112 |
| Other income | 387 | 501 |
| | 42,202 | 40,613 |
| Gross Profit before Interest and Finance Charges and Depreciation | 4,009 | 3,553 |
| Interest and Finance charges | 884 | 724 |
| Profit before Depreciation and Tax | 3,125 | 2,829 |
| Depreciation | 1,124 | 1,110 |
| Profit before Tax | 2,001 | 1,719 |
| Provision for Current Tax | 596 | 792 |
| Profit after Current Tax | 1,405 | 927 |
| Provision for Deferred Tax | (42) | (405) |
| Prior Year Adjustment | (7) | (3) |
| Profit after Tax | 1,454 | 1,335 |
| Balance in Profit & Loss Account. | 1,775 | 1,256 |
| Transfer on Amalgamation | 27 | — |
| | 3,256 | 2,591 |
| Profit available for appropriation. | | |
| APPROPRIATIONS | | |
| Dividend | 666 | 597 |
| Tax on Dividend | 93 | 84 |
| General Reserve | 150 | 135 |
| Balance carried forward | 2,347 | 1,775 |
| | 3,256 | 2,591 |

On a Sales turnover of Rs. 41,815 Lakhs (Rs. 40,112 lakhs) including Export earning on FOB basis of Rs. 3,322 Lakhs (Rs. 3,530 Lakhs) and Other Income of Rs 387 Lakhs (Rs. 501 Lakhs), the Gross Profit of the Company amounted to Rs. 4,009 Lakhs (Rs. 3,553 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 1,454 Lakhs compared to Rs. 1,335 Lakhs in the previous year.

DIVIDEND :

Your Directors are pleased to recommend payment of Dividend @ 65% ,

The total cash outflow on account of this dividend payment including distribution tax will be Rs. 759 Lakhs. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around 27th July 2006.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS :

Mission and Business Strategy :

The Company believes that it has built a strong foundation which can be a base for a sustainable long-term growth. The Company has world scale plants for manufacturing diverse products including Phthalic Anhydride (PAN), Maleic Anhydride (MAN), Fumaric Acid, Food Acids etc. The Company's business model envisages building a strong business around its core strengths in technology, marketing and manufacturing.

INDUSTRY DEVELOPMENTS :

PAN, the Company's main product is witnessing robust domestic growth of over 15%.

Plasticizers, Pigments and Resins have been the biggest sectors consuming PAN.

With the consistent growth of the Pigments and Resins market and the increased offtake from the Plasticizer sector, the demand for PAN, which is the Company's main product, is increasing rapidly. Further, Plasticizers market, which have been traditionally a major market for PAN, are expected to do better in the coming years on account of removal of Anti Dumping duty on Alcohol which is very encouraging. These 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 coupled with the Governments' proposals to create "Chemical Hubs" will also bode well for the Company.

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 receded marginally subsequently, it has again risen steeply coinciding with increase of crude prices. Current trends are towards firmness in prices of PAN at current levels with upward bias.

Furthermore, prices of Benzene, which is also the Raw material for manufacture of Maleic Anhydride (MAN), had touched historic high levels earlier, slightly softening later, but were still higher compared to previous years. Lately, prices of Benzene are on the rise again and consequently, MAN prices are expected to remain firm.

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.

Also, with the amalgamation of Chemidye manufacturing Co. P.Ltd (Chemidye) with the Company with effective date as 1.4.2005, the Company has added to its vast product ranges. Chemidye has been engaged in manufacture of Phthalate Esters with its facilities adjoining the Company's factory. Chemidye has a fully equipped R & D facility where some products are under different stages of development. The demand for Chemidye's products is rising steeply, particularly in the Export market and it will be the Company's endeavours to grow this business.

FINANCIAL AND OPERATING PERFORMANCE :

The overall Financial performance during the year 2005 - 2006, although better than the previous year, is below the Company's true potential and capacities. Company could achieve record sales thanks largely due to higher utilization of capacities. During the year 2005 -2006, the Company earned Net Profits after Tax of Rs. 14.54 Crores.

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.

CONTRIBUTION TO EXCHEQUER :

The amounts paid to the Central and State Exchequer by way of Excise Duty, Sales Tax, Customs duties (incl. paid to supplier), Income Tax, FBT, etc was over **Rs. 80.50 Crores**. This is the contribution on Net Sales of about Rs. 367.42 Crores. That is, **over 21.90 % of Company Sales** are contributions to the Exchequer and with increasing Sales and Profits, this contribution can only be expected to increase.

RESEARCH AND DEVELOPMENT :

The Company attaches great importance to R & D Efforts. 'TCL Research' the new division of the Company was started to carry out value added services based on the Company's strengths and its expertise. The Company is continuously working on few products which are in various stages of development and testing at our Research and Development department. The Company's in-house Research and Development facility for process development of Fine Chemicals and Speciality Chemicals is approved 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 and Resins segment as also the increased demand for PAN from the Plasticizer segment. The Company will aim to achieve full capacity utilization in the coming periods. Company's export endeavours could get a push in view of increased prospects for exports of Phthalate Esters, hitherto, being manufactured by Chemidye. 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.

Volatility in prices of Raw Materials as also the end products could be factors impacting PAN/MAN manufacture. Developments like the

Thirumalai Chemicals Ltd.

Plasticizer segment importing Plasticizers themselves instead of manufacturing it can be impediment to PAN growth. 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.

RISKS AND CONCERNS :

Lower margins, high raw material prices, surplus and idle capacities, availability of substitutes, dumping, indiscriminate imports, Foreign Exchange fluctuations, duty changes are some factors which could impact adversely.

Concessions and reliefs extended by Banks to others as also paying of lesser duties by others is a cause for concern and the need is for a level playing field so that no undue favours are given to any particular sector and also that abuses and evasion of duties is stopped. Also, dumping of MAN/ imports of MAN /PAN coming into our Country at very low numbers, is a matter of concern.

CURRENT YEAR :

Since the beginning of the current year, the Company has changed its marketing strategy for PAN by which customers are offered contracts for regular supply on pre determined Formula basis. The response from the customers has been quite encouraging and 25% - 30% of supplies since April 2006 are being made on this basis. While customers are assured of regular supplies at reasonable prices, the Company is able to operate its Plants at higher levels, translating to increased volume of sales. The Company will constantly keep devising new ways and means to operate all its Plants fully and optimally.

Going by the trends being witnessed since April 2006, where Company has achieved record Sales, your Company is hopeful of achieving higher Plant utilization compared to previous years, which would result in economies of scale, better working capital management and competitive advantage apart from contributing to the Company's bottom line etc. All the Plants are running fully and the Company's endeavours will be to work the Plants fully at all times.

OUTLOOK :

Your 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 as 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.3,322 Lakhs (Rs. 3,530 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 road to recovery. The JVC has been regular in meeting all its commitments to its Banks. Effective steps are being taken to change the feedstock from Benzene to Butane which 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 CO PVT.LTD WITH THE COMPANY :

Chemidye Manufacturing Pvt. Ltd (Chemidye), a Company which has been a consumer of Company's products and engaged in manufacture of Phthalate Esters with its Plant situated at Ranipet, Tamil Nadu, adjoining the Company's factory was amalgamated with the Company pursuant to the Scheme Of Amalgamation which was approved by the Hon'ble Bombay High Court. An appeal filed by a single Shareholder against the order of Hon'ble Bombay High Court was dismissed by the Division bench of Hon'ble Bombay High Court which order was received on 5th April 2006 and makes the amalgamation effective from 1.4.2005.

Chemidye has manufacturing capabilities, R&D facilities, technology and manpower which can be advantageously used. Furthermore, Chemidye also has an EOU which will help in pushing Exports and earn valuable Foreign Exchange. The amalgamation will result in not just synergy in

operations of Chemidye with the Company but also will give further push to Company's diversification moves. The Company will be able to operate Chemidye's plants more economically as also expand into more profitable operations. With Chemidye's requirement of main raw material being available inhouse, and its main customers being in and around Tamil Nadu, your Company is poised to reap immense benefits out of the amalgamation.

INCREASE IN PAID UP SHARE CAPITAL :

Consequent to the Scheme of Amalgamation, the Company's paid up Share Capital has increased marginally from 99,59,812 Shares of Rs.10 each to 1,02,38,812 Shares of Rs.10, each, by allotment of 2,79,000 Shares of Rs.10 each to the eligible shareholders of Chemidye.

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. 22.60 Lakhs due for repayment on or before March 31, 2006 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.

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.

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 217(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, 2006.

| Sr. No. | Name of the Employee | Age [Years] | Qualification and Experience | Designation | Remuneration Rs. | Date of Commencement | Last Employment Held |
|---------|----------------------|-------------|--|------------------------------|------------------|----------------------|--|
| 1 | Mr. S. Sridhar | 55 | B.Sc., ACA 30 Years | Chairman & Mg. Director | 3,959,075 | 01/04/1979 | Chief Accountant - Ultramarine & Pigments Ltd. |
| 2 | Mr. R. Parthasarathy | 55 | B. Tech., M.S. Wisconsin - U.S.A. 32 Years | Vice-Chairman & Mg. Director | 3,959,075 | 03/04/1974 | --- |

NOTES :

- 1] Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Medical Benefits, Leave Travel Allowance etc.
- 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 2005-06 | Year Ending 2004-05 |
|--|------|---------------------|---------------------|
| 1 ELECTRICITY | | | |
| a) PURCHASED UNITS | KWHR | 1967100 | 2135880 |
| Total amount paid | Rs. | 10613577 | 11362398 |
| Rate per unit | Rs. | 5.40 | 5.32 |
| b) OWN GENERATION | KWHR | 1251648 | 2329987 |
| Unit / litre of Diesel Oil | KWHR | 2.82 | 2.83 |
| Cost per Unit | Rs. | 11.24 | 9.12 |
| 2 COAL : Not consumed in the process | | | |
| 3 FURNACE OIL | | | |
| Quantity | KL | 4244.952 | 6380.422 |
| Total amount | Rs. | 62315000 | 70104670 |
| Average cost | Rs. | 14680.00 | 10987.47 |
| 4 OTHER INTERNAL GENERATIONS | | | |
| | | NIL | NIL |
| 5 CONSUMPTION PER TONNE OF PRODUCTION | | | |
| a) PHTHALIC ANHYDRIDE | | | |
| Electricity | KWHR | 13.65 | 16.47 |
| Furnace Oil | LTR | 29.46 | 49.21 |
| Others (Diesel) | LTR | 3.08 | 5.62 |
| b) MALEIC ANHYDRIDE | | | |
| Electricity | KWHR | 41.07 | 68.10 |
| Furnace Oil | LTR | 88.62 | 203.44 |
| Others (Diesel) | LTR | 9.26 | 23.25 |
| c) FOOD ACIDS | | | |
| Electricity | KWHR | 169.29 | 156.94 |
| Furnace Oil | LTR | 365.33 | 468.81 |
| Others (Diesel) | LTR | 38.18 | 53.58 |

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. 658.40 Lakhs (Rs.20.54 Lakhs)
 - b) Recurring : Rs. 112.81 Lakhs (Rs.79.38 Lakhs)
 - c) Total : Rs. 771.21 Lakhs (Rs.99.92 Lakhs)
 - d) Total R& D Expenditure as a % age of Sales : 1.84 % (0.25%)
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. 3,322Lakhs (Rs. 3530 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

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

21.04.2005, 06.06.2005, 15.07.2005, 29.08.2005, 19.10.2005 and 30.01.2006 . 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-(C&MD) | 6 | Yes | 3 | 3 |
| Mr.R.Parthasarathy(VC&MD) | 4 | Yes | 1 | - |
| Mr.S.Santhanam | 5 | No | 2 | 1 |
| Mr.Cyril S Shroff | - | No | 2 | 3 @ |
| Mr.R.Sundararajan | 5 | Yes | - | - |
| Mr.Pradeep Rathi | 1 | No | 8 | 6 |
| Mr.Dilip J Thakkar | 6 | Yes | 10 | 10 * |
| Dr.S.Rama Iyer | 5 | Yes | 1 | - |
| Mr.U.Sundararajan | 1 | No | 3 | 2 |
| Mr.Atul Agarwal | 6 | 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 31/03/2006 is :

| Name | Position | Salary (Rs.) | Commission (Rs.) | Contribution to P. F. and other Fund (Rs.) | Perquisites (Rs.) |
|------------------|-------------------------------|--------------|------------------|--|-------------------|
| S. Sridhar | Chairman & Mg. Director | 875,000 | 2,047,825 | 236,250 | 800,000 |
| R. Parthasarathy | Vice -Chairman & Mg. Director | 875,000 | 2,047,825 | 236,250 | 800,000 |

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. 3,20,000 |
| Mr. S.Santhanam | - | Rs. 2,80,000 |
| Dr. S. Rama Iyer | - | Rs. 1,00,000 |
| Mr. Atul Agarwal | - | Rs. 2,20,000 |
| Mr. R. Sundararajan | - | Rs. 1,00,000 |
| Mr. Pradeep Rathi | - | Rs. 20,000 |

Payments are made to the Non-Executive Directors depending on the number of meetings attended by them. These payments are reviewed by the Board of Directors from time to time.

Shareholdings of Directors

The following table gives the Shareholdings of Directors in the Company where either their names appear as Sole Shareholder or as the First Joint Shareholder as on 31/3/2006.

| Name | No. of Shares held | % of Holding |
|--------------------|--------------------|--------------|
| Mr.R.Parthasarathy | 3,64,345 | 3.56 |
| Mr.S.Sridhar | 6,32,866 | 6.18 |
| Mr.S.Santhanam | 4,75,175 | 4.64 |
| Mr.R.Sundararajan | 32,589 | 0.32 |
| Mr.Cyril Shroff | 1,050 | 0.01 |

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 Chairman/Director of Mercator Healthcare Limited and Director of 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. All of them have vast experience and knowledge of Commercial and Business matters.

Four meetings of the Audit Committee of the Board of Directors of the Board were held during the year 2005-2006 on 06.06.2005, 15.07.2005, 19.10.2005 and 30.01.2006.

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 6.6.2005 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 and Allotment 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 110 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 2005-2006.

Also, an Allotment Committee was constituted with the following as members for the purpose of allotting Shares consequent to the approval for scheme of amalgamation which met for this purpose on 28/3/2006.

Mr. Dilip J Thakkar

Mr. S. Santhanam

Mr. Atul Agarwal

GENERAL BODY MEETINGS

The Thirty Third Annual General Meeting of the Company for the financial year 2005- 2006 would be held on Monday, 24th July , 2006 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 |
|----------------|------------|-----------|--|
| 2004-2005 | 29/8 /2005 | 4.00 p.m | Mysore Association Auditorium Bhaudaji Road, Matunga-(C.Rly) Mumbai. |
| 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. |

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/ 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 Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

Thirumalai Chemicals Ltd.

CODE OF CONDUCT :

The Company has laid down the Code of Conduct for all Board members and Senior management of the Company. The Code is also posted on the Company's website. The Board of Directors have noted the declaration by the Chairman and Managing Director, who is also the CEO, about affirming of compliance by all Board members and Senior Management on an annual basis with the Code.

RISK MANAGEMENT :

The Company has well laid down procedures to inform Board members about the risk assessment and minimisation procedures.

CEO /CFO CERTIFICATION :

Mr.S.Sridhar , the Chairman and Managing Director acts as the CEO while Ms.Neha Huddar, General Manager (Finance & Taxation) is the CFO. Appropriate certification as required under Para V of Clause 49 of the Listing requirements has been made to the Board of Directors by the CEO as well as the CFO which has been taken note of by the Board.

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 33rd AGM : Monday, 24th July 2006 at 4.00 p.m. at Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai- 400 019.
- 2) Date of Book Closure : Tuesday 11th July 2006, to Monday, 24th July, 2006.
- 3) Listing on Stock Exchanges : Mumbai (BSE) and National Stock Exchange (NSE).
- 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: +91-22-25963838
Fax: +91-22-.25946969
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 - Mid May 2006
Mailing of Annual Reports - End June, 2006
June quarter results - Mid/End July 2006
September quarter results - End October 2006.
December quarter results - End January 2007.
- 12) Dividend payment dates : Around 28/7/2006.
- 13) Dematerialisations of shares : As on 31/3/2006, **90.52 %** of the Company's Shares representing **92,67,830** 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