

35th Annual Report **2007 - 2008**

Report



Report Junction



**Thirumalai
Chemicals Ltd.**

BOARD OF DIRECTORS :

Shri. S. Sridhar (Chairman & Managing Director)
 Shri. R. Parthasarathy (Vice Chairman & Managing Director)
 Shri. S. Santhanam
 Dr. S. Rama Iyer
 Shri. Dilip J. Thakkar
 Shri. Atul Agarwal
 Shri. Pradeep Rathi
 Shri. K.V. Krishnamurthy
 Shri. A. Janakiraman
 Shri. P. Shankar

COMPANY SECRETARY :

Shri. Narendra Rahalkar

BANKERS :

Andhra Bank
 Axis Bank Ltd.
 Bank of India
 Oriental Bank of Commerce
 State Bank of India
 The Dhanalakshmi 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

**35TH ANNUAL
GENERAL MEETING****DATE :**

Monday, July 21, 2008
 at 4.00 p.m.

VENUE :

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

DIVIDEND :

100%

DIVIDEND ELIGIBILITY :

For : Regd. Member
 Physical Shares : As on July 21, 2008
 Demat Shares : As at the close of Business
 hours on July 7, 2008, as
 per the list of beneficial
 ownership furnished by the
 Depositories.

BOOK CLOSURE :

July 8, 2008 to July 21, 2008
 (both days inclusive)

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

Thirumalai Chemicals Ltd.

NOTICE

NOTICE is hereby given that the **THIRTY FIFTH 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 21, 2008 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, 2008 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. Pradeep Rathi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S. Rama Iyer, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Dilip J Thakkar, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors for the current year and fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
RESOLVED THAT Mr. A. Janakiraman, who was appointed as an Additional Director of the Company with effect from October 29, 2007 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company.
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
RESOLVED THAT Mr. P. Shankar, who was appointed as an Additional Director of the Company with effect from October 29, 2007 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company.

By the Order of the Board
For Thirumalai Chemicals Limited

Narendra Rahalkar
Company Secretary

Registered Office:
Thirumalai House
Road No.29, Sion-East,
Mumbai - 400 022
June 02, 2008.

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 08, 2008 to Monday, July 21, 2008 (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 07, 2008 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) Reappointment of retiring Directors:

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

Mr. Pradeep Rathi, 55 years a reputed Businessman with vast knowledge and experience in the Chemicals Industry, is the Director of Sudarshan Chemical Industries Ltd., as also other Public Companies like Mantra Finance Ltd, Rathi Brothers Poona Ltd, Rathi Brothers Calcutta Ltd, Rathi Brothers Madras Ltd, Rathi Brothers Delhi Ltd, Reico Industries Ltd, Lahoti Overseas Ltd. Mr. Rathi, is an active participant in various Trade and Industry associations' activities and meetings. Mr. Rathi has been the Director of the Company since May 04, 2004. He does not hold any shares of the Company.

Dr. S. Rama Iyer, 68 years has been a director of the Company from November 25, 1997. He is a Phd, M.I.I. Chem.E and a reputed Technocrat with vast experience and knowledge. He recently retired as the Executive Chairman of Aker Kvaerner Powergas Ltd as also he is a Director in public companies like Larsen & Toubro Infotech Ltd, Gujarat Fluorochemicals Ltd, Deepak Fertilizers & Petrochemicals Corporation Ltd and Indsil Electrosmelts Ltd. He holds 49,880 shares representing 0.49% of the Company's paid-up Share capital.

Mr. Dilip J Thakkar, 71 years has been a Director of the Company since March 20, 1998. Mr. 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, 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.

- 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-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 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

Narendra Rahalkar
Company Secretary

Registered Office:

Thirumalai House,
Road No.29,
Sion-East
Mumbai-400 022
June 02, 2008



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

ITEM No.7

Mr. A. Janakiraman was appointed as Additional Director of the Company effective from October 29, 2007 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Janakiraman, 64 Years, holds office as an Additional Director upto the date of Annual General Meeting. The Company has received notice in writing from a member signifying his intention to propose the appointment of Mr. Janakiraman as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Janakiraman is B.Sc [Chemistry] B.Tech [Chem. Engg] I.I.T and has wide experience in the area of Petrochemicals. He has worked in various capacities with Indian Oil Corporation, Herdilla Chemicals Ltd, Herdilla Polymers Ltd, Pasumai Irrigations Ltd, Chemplast Sanmar Ltd. He presently holds the position of President – New Business [Petroleum] Reliance Industries Ltd.

The Directors commend the resolution set out at Item no. 7 of the accompanying notice for your approval.

None of the Directors of the Company except Mr. A. Janakiraman is concerned or interested in the resolution.

ITEM No.8

Mr. P. Shankar was appointed as Additional Director of the Company effective from October 29, 2007 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Shankar, 65 Years, holds office as an Additional Director upto the date of Annual General Meeting. The Company has received notice in writing from a member signifying his intention to propose the appointment of Mr. Shankar as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Shankar retired as Central Vigilance Commissioner of India in September 2006. He joined the Indian Administrative Service in 1966 after acquiring a post-graduate degree in Economics from Vivekananda College of the erstwhile Madras University. In the course of a distinguished career he served as the Chief Secretary of Tamil Nadu (2001-02) and as Secretary to Government of India in the departments/ministries of heavy industry; sugar; food and public distribution and petroleum. He has rich experience in the field of industrial management and administration. His tenure as Chairman and Managing Director of Tamil Nadu Industrial Infrastructure Development Corporation saw the setting up of the Perundurai and Gangaikondan industrial areas and the Tirupur Infrastructure Development initiative.

Mr. Shankar is presently the Director in Avt Natural Products Ltd and New Tirupur Area Development Corporation Ltd.

The Directors commend the resolution set out at Item no. 8 of the accompanying notice for your approval.

None of the Directors of the Company except Mr. P. Shankar is concerned or interested in the resolution.

By the Order of the Board
For Thirumalai Chemicals Limited

Narendra Rahalkar
Company Secretary

Registered Office:

Thirumalai House,
Road No.29,
Sion-East
Mumbai - 400 022
June 02, 2008

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,

Thirumalai Chemicals Ltd.

Your Directors present their THIRTY FIFTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2008.

	Rs. (in Lakhs)	
	Year ended 31/3/2008	Year ended 31/3/2007
FINANCIAL RESULTS		
Sales	65,770	61,245
Other Income	587	483
	66,357	61,728
Gross Profit before Interest and Finance Charges and Depreciation	7,190	5,964
Interest and Finance charges	1,387	1,019
Profit before Depreciation and Tax	5,803	4,945
Depreciation	1,125	1,090
Profit before Tax	4,678	3,855
Provision for Current Tax	1,825	1,458
Profit after Current Tax	2,853	2,396
Provision for Deferred Tax	(197)	(185)
Prior Year Adjustment	383	50
Profit after Tax	2,667	2,531
Balance in Profit & Loss Account	3,500	2,347
	6,167	4,878
PROFIT AVAILABLE FOR APPROPRIATION	6,167	4,878
APPROPRIATIONS		
Dividend	1,024	921
Tax on Dividend	174	157
General Reserve	350	300
Balance carried forward	4,619	3,500
	6,167	4,878

On a Sales turnover of Rs. 65,770 Lakhs (Rs. 61,245 Lakhs) with Export Turnover at Rs. 10,226 Lakhs (Rs. 12,539 Lakhs) including Export earning on FOB basis of Rs. 9,150 Lakhs (Rs. 8,524 Lakhs) and Other Income of Rs. 587 Lakhs (Rs. 483 Lakhs), the Gross Profit of the Company amounted to Rs. 7,190 Lakhs (Rs. 5,964 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 2,667 Lakhs compared to Rs. 2,531 Lakhs in the previous year.

Dividend :

Your Directors are pleased to recommend payment of Dividend @ 100%.

The total cash outflow on account of this dividend payment including distribution tax will be Rs. 1,198 Lakhs. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around July 25, 2008.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

Mission and Business Strategy:

The Company's business mission continue to build a strong business around its core strengths in manufacturing, technology, quality and marketing. The Company has world scale plants for manufacturing diverse products such as Phthalic Anhydride (PAN), Maleic Anhydride (MAN), Fumaric Acid, Food Acids etc as also decent capacities to manufacture other value added products.

Industry Developments:

PAN, the Company's main product continues to witness robust growth. The Company wants to be prepared to cater to the growing demand and hence is expanding its capacity to 140000 Mts. which will be ready by July 2008. At present PAN demand is growing at 8 to 10% in the local & 3% in the global market. The user industries of our products plasticizers, pigments and resins are all growing almost at double digit growth rate leading to an increased demand for PAN.

For the Plasticizer industry the availability of Oxo alcohol the other raw material besides PAN is expected to increase by 2009 which will lead to increased demand. Currently due to limited Oxo alcohol availability even though local production capacities are in place higher Plasticizer production is not possible. With such constraints on Plasticizer production correspondingly PAN consumption in this sector remains limited. But with improving Oxo alcohol availability, PAN consumption in Plasticizer sector will increase. India has good potential to increase Plasticizer production since with growing economy consumption growth will continue.

Pigment sector is continuing its march ahead with capacities expanding. Capacity expansions have taken place leading to more PAN consumption. Pigments & Dyes sector will continue to grow pushing up PAN consumption.

With infrastructure growth & growing Housing sector, Paint, Unsaturated Polyester (UPR) industries are also doing well. Few expansions have been completed & foreign direct investment in these sectors are increasing with entry of few global producers coming up with their plants in India. With increasing Paint, UPR consumption; PAN consumption will grow.

Thus overall domestic PAN demand is expected to grow steadily in short term leading to almost full capacity utilisation & operating rates for PAN plants.

MAN-Due to rampant dumping of MAN into the country from China and unremunerative price of Benzene, the Company has not been able to operate its MAN plant for major part of the year. However the action for levy of anti dumping duty (ADD) on import of MAN into our country from China is in the final stages and the Company is hopeful that with the imminent possibility of an ADD levy, soon dumping of MAN at very low prices into our country would cease. The company can operate its MAN plant at full capacity if Benzene, at reasonable prices is available from local sources. The product is also available with our Malaysian JV who will cater to the growing Indian demand provided it gets reasonable margins. The Company has captive requirement for MAN which also will be catered to by company's own manufacturing division or from Malaysian JV. In spite of these constraints we were able to continue to operate our food acids plant. Our food acids production will continue & we will be able to cater to growing local & overseas demand for food acids. Margins are not affected & food acids will continue to contribute to the profits.

Volatility in prices of the Raw Material as also the Company's end products are normal features in this line of business which can have bearing on the Company's operations.

Financial and Operating performance:

Your Company could achieve record production & sales thanks largely due to higher utilization of capacities. This was possible despite frequent shutting down of MAN plant during the year. During the year 2007-2008, the Company earned Net Profits after Tax of Rs. 2,667 Lakhs. The overall financial performance during the year 2007- 2008, was only marginally better than the previous year in spite of decent growth in our operating margins. The sudden stoppage of local availability of our main raw material beginning of last year was overcome by signing few contracts for imports.

During the year, the Company has set up two windmills at a cost of Rs. 830 Lakhs at Muthunayakanpatti, Palani Taluka, Tamil Nadu. The windmills were commissioned on 27th December 2007.

Thirumalai Chemicals Ltd.

The Company during the last quarter of 2007-2008, re-vamped part of its Phthalic Anhydride plants for which one reactor was closed for about 35 days from 15th February, 2008. The entire plant was also shut for about 15 days for this revamp. This affected the production & profit margin adversely during the last quarter ended 31st March 08. The catalyst change and the revamp has enhanced the capacity to 110,000 tons / year from end March 2008.

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 about Rs. 10,990 Lakhs. This is the contribution on Net Sales of about Rs. 58,794 Lakhs. That is, over 19% of Company's 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'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. The Company is continuously working on few products which are in various stages of development and testing.

Opportunities and Threats:

Demand for PAN is increasing both in the domestic and international market. The increased expanded capacity utilization for PAN could translate into higher turnover and higher profitability. Food acids exports will give a great push to the turnover in view of the higher value addition.

Risks and concerns:

Pressure on margins, high raw material prices, availability of substitutes, indiscriminate imports, foreign exchange fluctuations, higher overheads are some factors which could impact adversely.

Current year:

The year has begun with a never before witnessed rise in crude oil prices and inflation. The Company is going through a period of turmoil in the industry with steep increase in price of raw material. However the Company is best prepared to face this period due to proper planning for raw material as well as sales. The additional requirements of raw material for expanded capacity will be booked this year.

For PAN, contract sale on pre-determined formula basis continues to be successful strategy. The Company will constantly keep devising new ways and means to operate all its plants fully.

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 major Plants (except MAN) are running fully. The Company's endeavour will be to work all 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.

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:

Calculated on FOB basis, Exports amounted to Rs. 9,150 Lakhs (Rs. 8,524 Lakhs), while Total Exports including Deemed Exports amounted to Rs. 17,005 Lakhs (Rs. 12,539 Lakhs). The Company has been accorded the status of 'One Star Export House' which is 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:

As members will know, to put the Company's Joint venture (JV) TCL Industries (Malaysia) SDN BHD back on the profitability track, the JV had undertaken feed stock conversion from Benzene to Butane incurring major Capital expenditure. Members will be pleased to know that the plant for the manufacture of MAN from Butane has been successfully commissioned in January 2008. The demand for MAN in India is on the rise and the JV will export MAN to India at remunerative prices. The product from the new plant has achieved acceptability from all customers and the JV hopes to sell its entire capacity in the Indian and International markets at remunerative prices. Note No. 27 in Schedule 19 gives more details on the above.

Chemidye Division

Chemidye which has manufacturing capabilities, R&D facilities, technology and manpower as also an EOU which helps in pushing Exports and earn valuable Foreign Exchange is also contributing to both the top line and bottom line of the Company.

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 installments 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. 9.29 Lakhs due for repayment on or before March 31, 2008 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 Bombay 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:

Mr. Pradeep Rathi, Dr. S. Rama Iyer and Mr. Dilip J Thakkar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. A. Janakiraman & Mr. P. Shankar joined the Company's Board with effect from 29th October 2007. It is proposed to reappoint them as Directors liable to retire by rotation at the ensuing AGM.

The Board commends the aforesaid appointments.

Mr. R. Sundararajan resigned as Director with effect from 14th June 2007. Mr. U. Sundararajan resigned as Director with effect from 29th May 2008. The Directors wish to place on record the valuable services rendered by Mr. R. Sundararajan and Mr. U. Sundararajan during their tenure as Director.

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, 2008.

Sr. No.	Name of the Employee	Age [Years]	Qualification and Experience	Designation	Remuneration Rs.	Date of Commencement	Last Employment Held
1	Mr. S. Sridhar	57	B.Sc., ACA 32 Years	Chairman & Managing Director	2,31,37,042	01/04/1979	Chief Accountant – Ultramarine & Pigments Ltd.
2	Mr. R. Parthasarathy	57	B. Tech., M.S. Wisconsin – U.S.A. 34 Years	Vice – Chairman & Managing Director	2,37,74,966	03/04/1974	---

NOTES:

- 1] Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Gratuity, Leave encashment, 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 DIRECTORS' 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 2007-08	Year Ending 2006-07
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1 ELECTRICITY:

a) PURCHASED UNITS	KWHR	16,34,931	21,14,000
Total Amount Paid	RS.	94,47,835	1,15,99,505
Rate Per Unit	RS.	5.78	5.49
b) OWN GENERATION:	KWHR	19,31,946	9,21,707
Unit / Ltr of HSD		2.65	2.78
Cost Per Unit		12.53	12.44

2 COAL : Not consumed in the process

3 FURNACE OIL:

Total Qty	KL	5933	6217
Total Amount	RS	11,15,06,048	10,06,41,372
Avg Rate	RS	18,794	16,188

4 OTHER INTERNAL GENERATIONS

NIL NIL

5 CONSUMPTION PER TONNE OR PRODUCTION

a) PHTHALIC ANHYDRIDE

Electricity	KWHR	10.07	9.21
Furnace Oil	LTR	36.54	27.10
Others (Diesel)	LTR	4.49	1.44

b) MALEICANHYDRIDE

Electricity	KWHR	78.90	35.97
Furnace Oil	LTR	286.34	105.78
Others (Diesel)	LTR	35.16	5.63

c) FOOD ACIDS

Electricity	KWHR	107.51	170.34
Furnace Oil	LTR	390.14	500.95
Others (Diesel)	LTR	47.91	26.68

- 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. 25.01 Lakhs (Rs. 45.86 Lakhs)
- b) Recurring Rs. 134.00 Lakhs (Rs. 163.14 Lakhs)
- c) Total Rs. 159.01 Lakhs (Rs. 209.00 Lakhs)
- d) Total R & D Expenditure

as a % age of Sales 0.24% (0.34%)

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.

II. Technology Absorption, Adaptation and Innovation.

Research and Development

- 1) Specific Areas in which R & D activities carried out by the company.

III. Foreign Exchange Earning and Outgo

Export earnings – Rs. 9,150 Lakhs (Rs. 8,524 Lakhs)

Outgo – Rs. 29,413 Lakhs (Rs. 1,580 Lakhs)

CORPORATE GOVERNANCE REPORT 2007-08

(as required under Clause 49 of the Listing Agreement with Stock Exchanges)

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes that good Corporate Governance practices would ensure efficient conduct of the affairs of the Company and facilitate the Company to achieve its goal of maximizing 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 recognizes that strong Corporate Governance is indispensable to resilient and vibrant capital markets and is therefore an important instrument of investor protection.

The company continues to remain committed to a corporate culture of conscience and consciousness, integrity, fairness, transparency, accountability and responsibility for efficient and ethical conduct of its business.

BOARD OF DIRECTORS:

Board of Directors of the Company ("Board") decides the policy and strategy for the Company and has the overall superintendence and control over the management of the Company.

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 and Mr. S. Santhanam are independent Directors.

b) Board Meetings:

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

22/5/2007, 16/7/2007, 10/09/2007, 29/10/2007 and 22/1/2008. 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 details of attendance of each Director at the Board Meetings held during the financial year 2007-2008, and at the last AGM are given below:-

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)	5	Yes	2	4
Mr.R.Parthasarathy(VC&MD)	4	Yes	-	-
Mr.S.Santhanam	5	Yes	1	2
Mr.R.Sundararajan*	-	NA	-	-
Mr.Cyril S Shroff @	-	NA	-	-
Mr.Pradeep Rathi	3	Yes	11	6
Mr.Dilip J Thakkar	5	Yes	11	9*
Dr.S.Rama Iyer	3	No	4	-
Mr.U.Sundararajan\$	1	No	6	4~
Mr.Atul Agarwal	5	Yes	3	2
Mr. K. V. Krishnamurthy	5	Yes	8	7
Mr. A. Janakiraman^	2	NA	-	-
Mr. P. Shankar ^	2	NA	2	1

Resigned as director w.e.f. 14/06/2007

@ Resigned as director w.e.f 25/04/2007

* of which, 5 as Chairman.

\$ Resigned as director w.e.f. 29/05/2008

~ of which, 2 as Chairman

^ appointed as director w.e.f. 29/10/2007

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 31/03/2008 are:

Name	Position	Salary Rs.	Commission Rs	Contribution to P.F. and other Fund Rs.	Perquisites Rs.
Mr. S. Sridhar	Chairman & Managing Director	27,63,000	1,21,42,289	63,65,086	18,66,667
Mr. R. Parthasarathy	Vice -Chairman & Managing Director	27,63,000	1,21,42,289	70,03,010	18,66,667