36th ANNUAL REPORT 2008 - 2009

Thirumalai Chemicals Ltd.

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BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. 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

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.
Tel. : 2594 6970
Fax : 2594 6969
E-mail : rnt.helpdesk@linkintime.co.in
Website : www.linkintime.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

36TH ANNUAL GENERAL MEETING

DATE

Thursday, September 24, 2009
at 4.00 p.m.

VENUE

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

BOOK CLOSURE

September 11, 2009 to September 24, 2009
(both days inclusive)

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

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NOTICE

NOTICE is hereby given that the **THIRTY SIXTH 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 Thursday, 24th September 2009 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, 2009 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. S. Santhanam, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Atul Agarwal, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. K. V. Krishnamurthy, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the current Year and fix their remuneration.

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

July 27, 2009.

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 Friday 11th September 2009 to Thursday, 24th September 2009 (both days inclusive) for the purpose of the Annual General Meeting.

d) Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.

e) Reappointment of retiring Directors:

Mr. S. Santhanam, Mr. Atul Agarwal and Mr. K. V. Krishnamurthy, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Mr. S. Santhanam, 69 years, has been a Director of the Company from November 22, 1991. He has over 37 years experience in diverse matters concerning implementation of Projects, marketing of Pigments, Detergents, and Chemicals etc. He contributes to charitable activities and is active in advancing the cause of education. He holds 533186 Shares representing 5.21% of the Company's paid up Share capital.

Mr. Atul Agarwal , 50 years was appointed as Director of the Company effective from 28th October, 2003. Mr. Atul Agarwal is a qualified Chartered Accountant and is the Managing Director of Mercator Lines Ltd as also Chairman and Director of Mercator Healthcare Ltd. He is also the Director of Indian National Shipowners Association as also the Propreitor of A.J.Agarwal & Company-Chartered Accountants. Mr. Agarwal has a strong expertise in Financial and Strategic Planning and Execution. He has also been accredited with membership of various Committees formed by the Government for Shipping reforms. He holds 15000 shares in the Company representing 0.14% of the Company's paid up Share capital.

Mr. K. V. Krishnamurthy was appointed as a Director of the Company effective from 29th January 2007. Mr. Krishnamurthy, 66 Years, is a Fellow member of the Institute of Chartered Accountants of India and the Indian Institute of Bankers. He has over 35 years in the Banking Industry and has served at various important positions over his illustrious career like CMD- Bank of India, CMD-Syndicate Bank, Executive Director-Bank of Baroda, Managing Director-Indo Hong Kong International Finance Company Ltd. Mr. Krishnamurthy is presently the Director in Centrum Capital Ltd, Centrum Direct Ltd, Essel Propack Ltd, Balan Natural Food P. Ltd, Asset Reconstruction Company (India) Ltd, Borosil Glass Works Ltd, Essar Steels Ltd, etc. He does not hold any shares in the Company.

f) Members are requested to notify their Depository Participant (DP) / Company's Registrars viz: Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai-400 078. (Tel.Nos. 25946970, Fax No.25946969,

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Email-rnt.helpdesk@linkintime.com) immediately about change of address , if any, and also write to them immediately about corrections, if any, in name, address and pincode.

g) 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.

h) 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 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.

i) 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.

j) 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.

k) 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

July 27, 2009.

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DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,

Thirumalai Chemicals Ltd.

Your Directors present their THIRTY SIXTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2009.

Rs. (in Lakhs)

FINANCIAL RESULTS	Year ended 31/3/2009	Year ended 31/3/2008
Sales	51,281	65,770
Income from Windmill Operation	92	—
Other Income	712	587
	52,085	66,357
Gross Profit / (Loss) before Interest and Finance Charges and Depreciation	(4,062)	7,190
Interest and Finance charges	1,703	1,387
Profit / (Loss) before Depreciation and Tax	(5,765)	5,803
Depreciation	1,223	1,125
Profit / (Loss) before Tax	(6,987)	4678
Provision for Current Tax	12	1,825
Profit / (Loss) after Current Tax	(6,999)	2,853
Provision for Deferred Tax	(2,405)	(197)
Prior Year Adjustment	6	383
Profit / (Loss) after Tax	(4,600)	2667
Balance in Profit & Loss Account	4,619	3500
Profit available for appropriation	19	6167
APPROPRIATIONS		
Dividend	—	1024
Tax on Dividend	—	174
General Reserve	—	350
Balance carried forward	19	4619
	19	6167

On a Sales turnover of Rs. 51,281 lakhs (Rs. 65,770 Lakhs) with Export Turnover at Rs.11,205 lakhs (Rs.10,226 Lakhs) including Export earning on FOB basis of Rs. 10,990 lakhs (Rs. 9,150 Lakhs), Income from windmill operation of Rs. 92 Lakhs (Rs. Nil) and Other Income of Rs.712 lakhs (Rs. 587 Lakhs), the Gross loss of the Company amounted to Rs. 4062 lakhs (Profit of Rs. 7,190 Lakhs in the previous year). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net loss amounted to Rs. 4600 Lakhs compared to profit of Rs. 2667 Lakhs in the previous year. The disastrous performance during the year is explained below in Industry Developments.

Dividend

In view of the loss for the year, your Directors regret their inability to recommend any Dividend.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Mission and Business Strategy

The Company's Business Mission continues to be consolidation & strengthening itself 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

The financial year began on a very promising note for the Company. Markets were buoyant and it was expected to be a good year for the Company. This helped the Company in its performance in the first five months of the year. The crude oil prices continued to rise & reached an historical peak. This lead to turmoil in the industry with steep increase in price of raw materials. After oil price reached its historical peak of USD 147 / barrel in August 2008, it dramatically collapsed to below USD 40 / barrel by December 2008.

This affected the commodities and real estate market and triggered the worst financial institution collapse in USA, Europe & other parts of the world. The result was a global recession. In a short span the rupee depreciated from Rs. 39 to a USD to Rs. 51 to a USD making the imported raw material cost to shoot up. This also resulted in your Company making huge Foreign Exchange Fluctuation Loss in the II & III quarter of the year.

Your Company's Sales suffered due to lower demand in domestic as well as global market & also cancellation of confirmed orders. Your Company was left with high priced raw material which it was forced to convert and sell at a huge loss when the demand picked up during the last quarter.

The Plasticizer industry which is significant consumer of our PAN suffered, as the availability of Oxo alcohol the other raw material besides PAN continued to be in short supply. Expected Oxo alcohol expansion in India did not materialize resulting in limited Oxo alcohol availability.

Pigment sector which looked most promising at the beginning of the year suffered the most in second half of the year. Pigments & Dyes sector is dependent on global markets. With recession in world market export orders for pigments & dyes vanished / cancelled resulting in lower PAN consumption. Even quantity dispatched against confirmed orders were accepted at discount.

With lower infrastructure growth & uncertainty in world markets Housing sector, Paint, Unsaturated Polyester (UPR), Plasticizers Industries suffered. PAN consumption in these sectors remained stagnant to negative during the year. With the overall lower domestic demand as well as lower demand in export markets your Company could not achieve full capacity utilization and operating rates for PAN plants.

MAN-Due to rampant dumping of MAN into the country from China and unremunerative price of Benzene, the Company could not operate its MAN plant for major part of the year. Your Company had initiated proceedings for levy of anti dumping duty (ADD) on import of MAN into our country from China & other countries. Finally Government of India imposed ADD on import of MAN from China, Taiwan & Indonesia. In normal course this would have helped the Company to operate its MAN plant but unusual high price of Benzene which is the raw material for MAN, did not allow the Company to run its Plant. Company did produce some quantity of MAN but difficult market situation, high Benzene prices resulted in discontinuance of MAN production. The Company's captive requirement for MAN was catered through imports since imports were more economical & thus viable, than producing. Your Company will be able to operate the MAN plant if Benzene is available at reasonable prices.

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Our food acids production continued to cater to local & overseas demand for food acids.

During the year, the Company started the production of L + Tartaric Acid based on its inhouse technology and started catering to domestic & overseas markets. Our product has been well accepted by the consumers.

Managements' Reply to qualification given in the Auditors' Report

With regard to the qualification made by the Auditors' in their report [Para 4(a) & (d)] for not making provision in the accounts towards diminution in value of investments of Rs 18,27,69,550/-made in TCL Industries (Malaysia) SDN BDH, Malaysia (TCLM), the Board states that the same is to be adjusted against the reserves of the company. Necessary approval was obtained from the shareholders in the Extraordinary General Meeting held on 12th March, 2009 and the company has filed necessary petition in the High Court of Mumbai seeking their approval for adjusting the same against the reserves of the Company. Hence no provision has been made in the accounts.

With regard to the qualification made by the Auditors' in their report [Para 4(b) & (d)] since TCLM is continuing its operations under the control of the liquidator, the Board believes that the amounts referred to in Para 4(b) are recoverable.

With regard to the qualification made by the Auditors' in their report [Para 4(c) & (d)] the Company has recognized Deferred Tax Asset (DTA) for unabsorbed losses for the year. These losses were incurred mainly due to unprecedented fall in commodity prices during the 3rd quarter resulting in inventory losses and fluctuations in foreign currency. The Board believes that these losses were exceptional and not expected to recur. In the 4th quarter, the company has already reported profits and hence there is virtual certainty to be able to recognize the DTA.

Financial and Operating performance

During the year, the Company has set up two additional windmills at a cost of Rs. 830 Lakhs at Muthunayakanpatti, Palani Taluka, Tamil Nadu. The windmills were commissioned in September 2008. From these four windmills the Company has earned Rs. 97.61 Lakhs.

Your Company's performance during the period under review is disheartening. Due to the reasons explained in the foregoing paragraphs your Company could only achieve lower capacity utilization than the previous year. In 2008-2009, the Company suffered a Net Loss of Rs. 4,600 Lakhs.

Your Company had to temporarily suspended operations of its Phthalic Anhydride Plant for two months from October 2008. This was as a consequence of vertical fall in demand caused by sudden surge in imports of Phthalic Anhydride into India, by traders and by manufacturers from South Korea, Indonesia, Taiwan and Israel as the local demand in these countries also crashed. The dumping of products to liquidate the high priced stock further resulted in depressing demand & prices.

Your Company alongwith other Indian Phthalic Anhydride manufacturers initiated action with the Government of India to put in place appropriate trade remedy measures, like Safeguard Duty to protect against this activity. By its order, the Government of India in January 2009 imposed safeguard duties on these cheap imports into India which ensures necessary protection for domestic PAN producers.

Periodic reviews are made of the effectiveness of the internal control system. These are considered adequate and sought to be continuously improved. Industrial relations remain 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 is about Rs. 7,309 Lakhs on Net Sales of about Rs. 46,925 Lakhs. That is, over 16% of Company's Sales is contributions to the Exchequer.

Research and Development

The Company's in-house Research and Development facility, approved under Section 35 (2AB) of the Income Tax, 1961, is continuously working on developing various Fine Chemicals and Speciality Chemicals.

Opportunities and Threats

Demand for PAN remains stagnant in both domestic & international market due to unusual market conditions as a result of recession. Market is likely to remain uncertain for sometime. The Company will face the challenge and strive to get back to good times.

With huge investment in infrastructure and Housing the demand for PAN is expected to grow in the coming years. To meet the growing demand the consuming industries of PAN have expanded their capacities during the last two years. Subject to unforeseen circumstances your Company expects to utilize the PAN plants to their full capacity.

Risks and concerns

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

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.

Current year

The current year is expected to be much better due to your Company having international capacities in all its products, worldwide customer base and efforts of our staff during the last 35 years to make your Company the lowest cost producer. The year has begun on somewhat better note with slow recovery seen in the industry. Markets are showing a steady recovery trend. Crude oil prices have almost halved from its peak levels and inflation has touched zero / sub zero levels and has remained at such levels for quite sometime.

In the current year your Company expects enhanced and continued contribution from PAN, MAN, Fumaric Acid, Malic Acid, etc. Your Company is placing more emphasis on planning for raw material & sales by systematically following & analyzing market trends. By entering into contract with local manufacturer for purchase of major portion of its Raw material, the inventories will be better managed.

The contract sales of PAN on the basis of pre-determined formula price continues. Contract sales give basic minimum sales volumes and allow flexibility to achieve remaining sales at better realizations. The Company will continue to devise new ways and means to achieve higher sales to operate all its plants to its full capacity, which would result in economies of scale, better working capital management and competitive advantage and contribute to the Company's bottom line. All the major Plants (except MAN) are

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running fully. The Company would endeavour to work all Plants at their full capacity efficiently & economically adopting appropriate cost savings measures.

Outlook

Your Company remains optimistic about the future. It will built on its strength and continue to grow.

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 including Deemed Exports amounted to Rs. 16,150 Lakhs (Rs. 17,005 Lakhs).The Company has been awarded the status of 'One Star Export House' in recognition of the Company's export performance. Your Company focuses on exports to achieve higher volumes year after year.

MALAYSIAN JOINT VENTURE

Members are aware that in January 2008, TCL Industries (Malaysia) SDN BHD (TCLM) successfully commissioned its plant for the manufacture of MAN from Butane instead of Benzene, to make TCLM competitive with other MAN manufacturers. However, with the global meltdown in September-December 2008 TCLM had to close operations as its operations became unviable. An unsecured creditor of TCLM has appointed a liquidator and the liquidation process is in progress. In view of the above developments, the realisability of the investment in TCLM being highly uncertain, the Board at its meeting decided to write down the said investment against the Securities Premium and other capital reserves of the Company.

With respect to the qualification in the Auditors report, Note no. 25 in Schedule 19 is self explanatory and therefore do not call for any further comments.

Chemidye Division

Chemidye with its manufacturing capabilities, R&D facilities, technology and manpower and also an EOU which helps in pushing Exports, and earns valuable Foreign Exchange is contributing substantially 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 standardshave 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. 16.14 Lakhs due for repayment on or before March 31, 2009 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' Certificate 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. S. Santhanam, Mr. Atul Agarwal and Mr. K. V. Krishnamurthy, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

The Board commends the aforesaid reappointments.

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, 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

Mumbai
July 27, 2009

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ANNEXURE 1 TO DIRECTORS' 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, 2009 .

Sr. No.	Name of the Employee	Age [Years]	Qualification and Experience	Designation	Remuneration Rs.	Date of Commencement	Last Employment Held
1	Mr. S. Sridhar	58	B.Sc., ACA 32 Years	Chairman & Managing Director	73,28,924	01/04/1979	Chief Accountant – Ultramarine & Pigments Ltd.
2	Mr. R. Parthasarathy	58	B. Tech., M.S. Wisconsin – U.S.A. 34 Years	Vice – Chairman & Managing Director	66,91,000	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 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 2008-09	Year Ending 2007-08
1 **ELECTRICITY:**			
a) PURCHASED UNITS	KWHR	1998760	1634931
TOTAL AMOUNT PAID	RS.	10691176	9447835
RATE PER UNIT	RS.	5.35	5.78
b) OWN GENERATION:	KWHR	18765277	1931946
UNIT / LTR OF HSD		2.92	2.65
COST PER UNIT		12.13	12.53
2 **COAL:** Not consumed in the process			
3 **FURNACE OIL:**			
TOTAL QTY	KL	5423	5933
TOTAL AMOUNT	RS	127258839	111506048
AVG RATE	RS	23467	18794
4 **OTHER INTERNAL GENERATIONS**		-	-
5 **CONSUMPTION PER TONNE OF PRODUCTION**			
a) PHTHALIC ANHYDRIDE			
ELECTRICITY	KWHR	14.24	10.07
FURNACE OIL	LTR	38.63	36.54
OTHERS (DIESEL)	LTR	5.53	4.49
b) MALEIC ANHYDRIDE			
ELECTRICITY	KWHR	141.28	78.90
FURNACE OIL	LTR	383.30	286.34
OTHERS (DIESEL)	LTR	54.91	35.16
c) FOOD ACIDS			
ELECTRICITY	KWHR	193.26	107.51
FURNACE OIL	LTR	524.34	390.14
OTHERS (DIESEL)	LTR	75.11	47.91

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.64.89 lakhs	(Rs.25.01 lakhs)
b)	Recurring	Rs.170.81 lakhs	(Rs.134.00 lakhs)
c)	Total	Rs. 235.70 lakhs	(Rs.159.01 lakhs)
d)	Total R&D expenditure as a % of sales	0.46%	(0.24%)

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. 10,990 Lakhs (Rs. 9,150 Lakhs)

Outgo – Rs. 37,523 Lakhs (Rs. 29,413 Lakhs)

By Order of the Board
For **Thirumalai Chemicals Limited**

S. Sridhar
Chairman & Managing Director

Mumbai
July 27, 2009

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CORPORATE GOVERNANCE REPORT

(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

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

04.04.2008, 02.06.2008, 21.07.2008, 23.10.2008, 23.12.2008, 28.01.2009 and 12.03.2009. 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 2008-2009, and at the last AGM are given below:-

Name of Directors	Attendance at Board Meetings	Attendance at Last AGM	No.of Directorships of other Public Companies	No.of memberships of Board Sub Committees
Mr. S. Sridhar [1]	7	Yes	2	3
Mr. R. Parthasarathy [2]	5	Yes	—	—
Mr. S. Santhanam	7	Yes	1	—
Mr. Dilip J Thakkar	7	Yes	13	9[3]
Dr. S. Rama Iyer	7	Yes	7	—
Mr. Pradeep Rathi	1	No	11	6
Mr. Atul Agarwal	3	Yes	8	1
Mr. K. V. Krishnamurthy	6	Yes	10	9[4]
Mr. A. Janakiraman	5	No	—	—
Mr. P. Shankar	4	Yes	2	2

[1] Chairman & Managing Director
[2] Vice Chairman & Managing Director
[3] of which, 5 as Chairman
[4] of which, 3 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 31/03/2009 are:

Name	Position	Salary Rs.	Commission Rs	Contribution to P.F. and other Fund Rs.	Perquisites Rs.
Mr. S. Sridhar	Chairman & Managing Director	24,00,000	Nil	49,28,924	Nil
Mr. R. Parthasarathy	Vice -Chairman & Managing Director	24,00,000	Nil	42,91,000	Nil

Sitting fees is payable to the Non-Executive Directors for attending Board / Committee meetings. The Non-Executive Directors are also paid commission, on an annual basis, in such proportion as may be decided by the Board, provided that the total commission

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payable to such Directors shall not exceed 1% of the net profits of the Company. However in view of the loss, no commission is payable to the Non Executive Directors for the year 2008-09. The sitting fees paid to the Non-Executive Directors is as under:

Name of the Director	Sitting fees paid (Rs.)
Mr. S. Santhanam	300,000
Mr. Dilip J Thakkar	300,000
Dr. S. Rama Iyer	140,000
Mr. Pradeep Rathi	20,000
Mr. Atul Agarwal	120,000
Mr. K. V. Krishnamurthy	200,000
Mr. A. Janakiraman	100,000
Mr. P. Shankar	80,000

d) 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 31/3/2009.

Name of the Director	No. of Shares held	% of the holding
Mr. S. Sridhar	755703	7.38
Mr. R. Parthasarathy	418399	4.09
Mr. S. Santhanam	533186	5.21
Dr. S. Rama Iyer	30000	0.29
Mr. Atul Agarwal	15000	0.15

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. K. V. Krishnamurthy

Mr. Thakkar is an eminent practicing Chartered Accountant, also the Director in several Companies including 13 Public Companies (as also member in 9 Committees of Board with Chairmanship of 5 Committees). Mr. Atul Agarwal, also a qualified Chartered Accountant is apart from being the Managing Director of Mercator Lines Limited, is also the Director of Mercator Healthcare Limited, Mercator Line (Singapore) Ltd and Director/Vice President 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 public Company. Mr. K. V. Krishnamurthy is a qualified Chartered Accountant and fellow member of the Indian Institute of Bankers. He has over 35 years experience in the banking industry and has served at various important positions over his illustrious career. All of them have vast experience and knowledge of Commercial and Business matters.

Four meetings of the Audit Committee of the Board of Directors were held during the year 2008-2009 on 30.05.2008, 21.07.2008, 23.10.2008 and 28.01.2009. The details of attendance are given below:

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. Dilip J Thakkar	4	4
Mr. S. Santhanam	4	4
Mr. Atul Agarwal	4	3
Mr. K. V. Krishnamurthy	4	4

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 30.05.2008 and was present. The Company Secretary and the General Manager-Finance & Taxation also attend all the Audit committee meetings. Audit Committee members also act as Selection /Remuneration Committee members.

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 are 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:

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