THIRUMALAI CHEMICALS LTD.

38th
Annual Report
2010-2011

Board of Directors

Mr. R.Sampath (Chairman)
Mr. S.Sridhar (Managing Director)
Mr. R.Parthasarathy (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 & Legal Head

Ms.Rita Malgaonkar

Bankers

Bank of India
State Bank of India
Andhra Bank
Axis Bank Ltd
Oriental Bank of Commerce
Indian Overseas Bank

Auditors

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

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
Website : http://www.thirumalaichemicals.com

Registrar & Share Transfer Agents

Link Intime India Private Limited
C-13, Pannlal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai - 400 078
Ph: : 022 2594 6970
Fax : 022 2594 6969
E-mail: rnt.helpdesk@linkintime.co.in
Website : www.linkintime.com

Factory

Ranipet, North Arcot District, Tamilnadu
Tel. : 244441/244442/244443
Fax : 04172-244308
E-mail : mail@thirumalaichemicals.com

38th Annual General Meeting

Date & Time

Monday, August 1, 2011

Venue

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

Book closure

Tuesday, 19th July, 2011 to Monday, 1st August, 2011
(both days inclusive)

Contents

	Page No.
AGM Notice	01
Directors' Report	06
Corporate Governance Report	12
Auditors' Report (Standalone)	20
Balance Sheet (Standalone)	23
Profit and Loss Account (Standalone)	24
Cash Flow Statement (Standalone)	25
Schedules (Standalone)	26
Notes to Accounts (Standalone)	34
Statement pursuant to Section 212 of the Companies Act, 1956	45
Auditors' Report (Consolidated)	46
Balance Sheet (Consolidated)	47
Profit and Loss Account (Consolidated)	48
Cash Flow Statement (Consolidated)	49
Schedules (Consolidated)	50
Notes to Accounts (Consolidated)	59

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

NOTICE

NOTICE is hereby given that the **THIRTY EIGHTH ANNUAL GENERAL MEETING OF THIRUMALAI CHEMICALS LIMITED** will be held at THE MYSORE ASSOCIATION AUDITORIUM, Mysore Association, 393, Bhaudaji Road, Matunga-C.Rly, Mumbai-400019 on Monday, August 1, 2011 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, 2011 and the Balance Sheet as at that date and the Auditors' Report thereon.

2. To appoint a Director in place of Mr.Dilip Thakkar, who retires by rotation and, being eligible, offers himself for reappointment.

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.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.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr.R.Sampath who was appointed as an Additional Director of the Company with effect from 7th February, 2011 and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."

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

   "RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any of the Companies Act, 1956, consent be and is hereby accorded to Mr. S. V. Rajan, a relative (within the meaning of Section 6 of the Companies Act,1956) of Director of the Company, to hold the office or place of Profit on designation as Manager-Commercial, and he be paid remuneration upto the following limits with effect from 2nd May, 2011 as under:

   a) Basic Salary of ₹ 75,000/- per month (with normal increment as per Company's Rules).

   b) House Rent Allowance @ 30% of Basic Salary per month.

   c) Leave Travel Allowance ₹ 75,000/- per annum.

   d) Medical Reimbursement ₹ 75,000/- per annum.

   e) Payment of Conveyance allowance, Children Education Allowance, any other allowances, Bonus, Ex-gratia payment, Mediclaim Insurance for self and Family etc as per the Rules of the Company not exceeding 50 per cent of the basic salary per month.

   f) In addition to the above, Mr. S. V. Rajan will be entitled to Provident Fund and Superannuation Fund contributions, Gratuity payment and encashment of earned leave as per the Rules of the Company."

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

   "RESOLVED THAT pursuant to the Section 314 and other applicable provisions, if any of the Companies Act, 1956, consent be and is hereby accorded to Mr. S. Narayan, a relative (within the meaning of Section 6 of the Companies Act,1956) of Director of the Company, to hold the office or place of Profit on designation as Manager- Marketing, and he be paid remuneration upto the following limits with effect from 2nd May, 2011 as under:

   a) Basic Salary of ₹ 75,000/- per month (with increment as per Company's Rules).

   b) House Rent Allowance per month @ 30% of Basic Salary.

   c) Leave Travel Allowance ₹ 75,000/- per annum.

   d) Medical Reimbursement ₹ 75,000/-per annum.

e) Payment of Conveyance allowance, Children Education Allowance, any other allowances, Bonus, Ex-gratia payment, Mediclaim Insurance for self and Family etc as per the Rules of the Company not exceeding 50 per cent of the basic salary per month.

f) In addition to the above, Mr. S. Narayan will be entitled to Provident Fund and Superannuation Fund contributions, Gratuity payment and encashment of earned leave as per the Rules of the Company."

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

"RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any of the Companies Act, 1956, consent be and is hereby accorded to Ms.Ramya Bharathram a relative (within the meaning of Section 6 of the Companies Act,1956) of Director of the Company, to hold the office or place of Profit in the senior Management Cadre and she be paid remuneration upto the following limits with effect from 2nd May, 2011 as under:

a) Basic Salary of ₹ 75,000/- per month (with increment as per Company's Rules).

b) House Rent Allowance @ 30% of Basic Salary per month.

c) Leave Travel Allowance ₹ 75,000/- per annum.

d) Medical Reimbursement ₹ 75,000/- per annum.

e) Payment of Conveyance allowance, Children Education Allowance, any other allowances, Bonus, Ex-gratia payment, Mediclaim Insurance for self and Family etc as per the Rules of the Company not exceeding 50 per cent of the basic salary per month.

f) In addition to the above, Ms.Ramya Bharathram will be entitled to Provident Fund and Superannuation Fund contributions, Gratuity payment and encashment of earned leave as per the Rules of the Company."

By the Order of the Board of Directors

RITA MALGAONKAR
COMPANY SECRETARY & LEGAL HEAD

30th May, 2011

Registered Office:

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

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 19, 2011 to Monday, August 1, 2011(both days inclusive).

d) An explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business as set out in item no.s 6, 7, 8 & 9 to be transacted at the Meeting annexed hereto.

e) Reappointment of retiring Directors:

Mr.Dilip Thakkar, Dr.S.Rama Iyer and Mr.K.V.Krishnamurthy, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr.Dilip Thakkar, 74 years, has been a Director of the Company since 20th March, 1998. Mr.Dilip 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 Essar Oil Ltd., The Ruby Mills Ltd., PAE Ltd., Walchandnagar Industries Ltd. and Premier Ltd. Mr.Dilip Thakkar is also the Partner of M/s.Jayantilal Thakkar & Company, Chartered Accountants & M/s.Jayantilal Thakkar Associates, Chartered Accountants, Mumbai. He does not hold any shares in the Company.

Dr.S.Rama Iyer, 71 years, has been a Director of the Company since 25th November,1997. He is a Phd, MI.I.Chem.E and a reputed Technocrat with vast experience and knowledge. He retired as the Executive Chairman of Aker Kvaerner Powergas Ltd. He is also a Director in public companies like Larsen & Toubro Infotech Ltd., Gujrat Fluorochemicals Ltd, Deepak Fertilizers & Petrochemicals Corporation Ltd and Indsil Electrosmelts Ltd.

Mr. K.V.Krishnamurthy, 67 years, is a Fellow member of the Institute of Chartered Accountants of India and the Indian Institute of Bankers. He has over 35 years experience in Banking Industry and has served at various important position 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 P.Ltd., Asset Reconstruction Company (India) Ltd., Borosil Glass Works Ltd., Essar Steels Ltd etc. He does not hold any shares of the Company.

f) Members are requested to notify their Depository Participant(DP) in case of shares in Demat segment/ Company's Registrars, in case of Shares in physical segment viz: Link Intime Private Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai–400 078 -Tel. No: 022-25946970, E-mail: rnt.helpdesk@linkintime.co.in) immediately about any changes in their Address or Bank Mandate, if any.

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) & 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividend for the financial year 1995-1996 to 2002-2003 to the Investor Education and Protection Fund (IEPF) established by the Central Government. 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 have been transferred to the Investor Education and Protection Fund.

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.

i) 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.

j) Members holding shares in single name are advised to make nomination in respect of their shareholding in the Company and requested to use the prescribed Form-2B and forward it to the Company' Registrars.

k) Members / Proxies are requested to bring attendance-Slip along with their copy of Annual Report to the Meeting.

l) The Ministry of Corporate Affairs (MCA) vide its circular No. 17/2011 dt.21/04/2011 & Circular No.18/2011 dated 29/04/2011 has taken a **'Go Green Initiative'** by allowing paperless compliances by Companies through Electronic mode. The Company thus proposes to send all documents like General Meeting Notices including AGM Notice, Audited Financial Statements, Directors' Report, Auditors' Report etc henceforth to the Members in electronic form in lieu of the physical form. To support this green initiative of the Government in full measure, Members holding shares in the Demat Mode & the Physical Mode, and who have not registered their e-mail addresses are requested to register their e-mail ID for the purpose of servicing documents by the Company in electronic mode at our email id thirumalaigogreen@linkintime.co.in

By the Order of the Board of Directors

RITA MALGAONKAR

COMPANY SECRETARY & LEGAL HEAD

30th May, 2011

Registered Office:

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

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

ITEM No.6

Mr.R.Sampath was appointed as Additional Director of the Company effective from 7th February, 2011 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act,1956. Mr. R.Sampath 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.R.Sampath as Director of the Company in accordance with Section 257 of the Companies Act, 1956.

Mr.R.Sampath, 66 years, is a B.Sc and also a BS in Chemical Engineering, USA. He is the Chairman & Managing Director of Ultramarines & Pigments Ltd which is one of the promoters of the Company. His appointment would be in the best interest of the Company.

The Directors commend the resolution set out at item.no.6 of the accompanying notice for your approval.

None of the Directors of the Company except Mr.R.Parthasarathy is concerned or interested in the resolution.

ITEM NO. 7

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

Mr.S.V.Rajan, age 38 years, is a B.Com with a MBA in Marketing and has varied work experience of over 12 years in various capacities. He has previously worked with Thirumalai Chemicals Limited for around 10 years as a Marketing Manager.

The Audit cum selection cum Remuneration Committee unanimously recommended that Mr.S.V.Rajan be selected and appointed as the Manager - Commercial of the Company. The details of remuneration to be drawn by Mr.Rajan w.e.f 2nd May, 2011 is detailed in the notice and the Committee & the Board has recommended the remuneration proposed

The Board of Directors recommend the special resolution at item No.7 of the Notice for your approval.

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

ITEM NO. 8

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

Mr.S.Narayan, age 33 years, is a B.Sc (Chemistry) with a MBA in Marketing and has work experience of over 9 years in various capacities. He has previously worked with Ultramarine & Pigments Limited for a year and half as a Marketing Manager. The Audit cum selection cum Remuneration Committee unanimously recommended that Mr.S.Narayan be selected and appointed as the Manager-Marketing of the Company. The details of remuneration to be drawn by Mr.S.Narayan w.e.f. 2nd May, 2011 is detailed in notice and the Committee & the Board has recommended the remuneration proposed

The Board of Directors recommend the special resolution at item No.8 of the Notice for your approval.

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

ITEM NO. 9

Ms.Ramya Bharathram was appointed as Manager-Business Development in April, 2008. Her appointment did not require approval under section 314 of the Companies Act, 1956.

Mr.R.Sampath w.e.f. 7th February, 2011, has been appointed as the Director & Non-Executive Chairman of the Company. He is the relative of Ms.Ramya Bharathram.

Ms.Ramya Bharathram is in the senior managerial cadre of the Company and she will be suitably designated from time to time as per the rules of the Company. She will now require to seek approval under section 314 and other applicable provisions if any, of the Companies Act, 1956, since she is a relative (within the meaning of Section 6 of the Companies Act, 1956) of the Director of the Company for any further revision in the Company.

It is proposed to revise the remuneration of Ms.Ramya Bharathram w.e.f 2nd May, 2011. The Audit cum selection cum Remuneration Committee and the Board recommended payment of increased remuneration as detailed in the notice.

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

None of the Directors of the Company except Mr.R.Sampath is concerned or interested in the resolution.

By the Order of the Board

For **THIRUMALAI CHEMICALS LIMITED**

RITA MALGAONKAR

COMPANY SECRETARY & LEGAL HEAD

30th May, 2011

Registered Office:

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

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,
Thirumalai Chemicals Ltd.

Your Directors present their **THIRTY EIGHTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended **March 31, 2011.**

(₹ In lakhs)

STANDALONE FINANCIAL RESULTS	**Year ended 31.3.2011**	Year ended 31.3.2010
Sales	**82,780**	66,541
Income from Windmill Operation	**146**	195
Other Income	**1,081**	556
	84,007	67,292
Gross Profit before Interest Finance Charges and Depreciation	**5,727**	7,033
Interest and Finance charges	**1,751**	1,994
Profit before Depreciation and Tax	**3,976**	5,039
Depreciation	**1,339**	1,236
Profit before Tax	**2,637**	3,803
Provision for Current Tax	**30**	25
Profit after Current Tax	**2,607**	3,778
Provision for Deferred Tax	**710**	1,203
Profit after Tax	**1,897**	2,575
Prior Year Adjustment	**(42)**	11
Balance in Profit & Loss Account	**1,708**	19
Profit available for appropriation	**3,563**	2,605
APPROPRIATIONS		
Dividend	**-**	512
Tax on Dividend	**-**	85
General Reserve	**-**	300
Balance carried forward	**3,563**	1,708
	3,563	2,605

On a Sales turnover of ₹ 82,780 lakhs (₹ 66,541 lakhs) with Export Turnover at ₹ 8,888 lakhs (₹ 6,822 lakhs) including Export earning on FOB basis of ₹ 8,665 lakhs (₹ 6,417 lakhs), Income from windmill operation of ₹ 146 lakhs (₹ 195 Lakhs) and Other Income of ₹ 1,081 lakhs (₹ 556 lakhs), the Gross Profit of the Company amounted to ₹ 5,727 lakhs (Profit of ₹ 7,033 lakhs in the previous year). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to ₹ 1,897 lakhs compared to Profit of (₹ 2,575 lakhs) in the previous year. The performance during the year is explained below in Industry Developments.

Subsidiaries

During the year the Company has set up a subsidiary in Singapore -Tarderiv International Pte Ltd. and two step-down subsidiaries viz. Cheminvest Pte Ltd - Singapore and Optimistic Organic Sdn Bhd Malaysia.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit & Loss Account of our Subsidiary. The Ministry of Corporate Affairs, Government of India vide its general circular no.2/2011 dated February 8, 2011 has provided an exemption to Companies from complying with Section 212, provided such Companies publish the audited Consolidated financial statements in the Annual Report. Accordingly, the Annual Report does not contain the financial statements of our Subsidiary. The audited annual accounts and related information of our subsidiary, where applicable, will be made available, upon request.

Dividend

Your Directors intend to conserve the resources for long term benefits of the Shareholders and have decided not to recommend any dividend for 2010-2011. (Previous Year- ₹ 5 per share)

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Mission and Business Strategy

The Company decided in the beginning of the Financial Year to do a thorough review of its businesses; the Opportunities available, our position in the Indian and International markets, Competitive capability and gaps the Changes and Resources needed to build on the opportunities. Based on these Studies and Reviews, the Company decided that to deliver Profitability and sustained Growth, it will focus on the specific goals viz.,

a) Transforming our commodity Chemical Business (Phthalic Anhydride) to be globally competitive in size & profitability.

b) Around of our existing Derivatives Businesses which serve the Food and Cosmetic and other Industries, building strong businesses of significant size in each area to deliver a broader range of products to these customers and growing these businesses significantly over the next few years.

c) Identifying and developing a New Business of good profitability and potential.

Industry Outlook and Your Company's Performance

Opportunities and Threats and our Reponses

Your company has the reasonable world scale capacity of 140,000 tonnes for its prime product, Phthalic Anhydride. Your Company has a good volume and market growth in India in a difficult year. Phthalic Anhydride is a key Industrial Raw Material and has great potential. Indian demand is growing steadily over 10% - 12% in line with growth in Construction, Coatings, Automotive, Printing & Packaging, etc.

The Phthalic Anhydride business is extremely competitive as a Commodity Business involving high material costs, large capacities in the Far East, very low tariff barriers etc. During the last few years, the Asian markets have been very cyclical, and there has been large scale dumping into India at marginal costs during 2010-11. During 2009-10 the Government of India had addressed this issue temporarily for one year through Safeguard Duties, which were withdrawn in early 2010.

While prices of inputs rose, Trading margins dropped significantly in Asia & India, resulting in severe pressure on our Phthalic Anhydride margins. While the production and sales are our highest ever, profits have been disappointing.

On the positive side, your Company has a good position, given the scale capacity, improvements in technology, reputation, sales and marketing networks, and experienced and committed employees.

The Company has decided that the only way to drive this Business to greater profitability is by becoming globally competitive, work actively to improve sales margins while we work to become the Least Cost Producer and scale up. As a part of these strategic efforts, the Company has also taken up improvements in Technology which will result in significant Operating advantages. These are expected to be completed during 2011-12 end. The Company is also actively working to improve its sales, distribution & supply chain for better margins.

Your Company remains optimistic about the bright future for its Phthalic Business. It will endeavor to build on its strengths for competitive advantage and profits.

The main market for our product Phthalic Anhydride is largely in Western India. The resultant Logistics and Working Capital costs have become increasingly important. The Company is therefore also reviewing all options to address its strategic positions in this regard.

1. The Food Ingredients and Fine Chemicals products of the Company have been identified as a Business area for focused and significant growth. These products of the Company directed towards the Food, Beverage, and Cosmetic Industries. The Company plans to grow these significantly over the next 5 years both in scale and in product / functional range. About 60% of our sale is in the International market, largely in the developed world. The growth of this Business will be useful also to de-risk the cyclicality of our Commodity Chemical Businesses and increase the Company's profitability.

   Both in our Food Ingredients and in our Fine Chemicals/ Derivatives, the Company has achieved good growth in Production, Revenues, and Profits during the year. The task for the next few years will be to grow this Division significantly as it is extremely promising and the Company has a good position in Technology, both in the Indian and International markets.

2. The Company did not produce Maleic Anhydride due to the high cost of raw material Benzene. The Plant is mothballed, well maintained and in good condition. The Company is looking at options on how to derive Profit and Value from this Plant, which has been idle for nearly 3 years. The Company met a portion of the local demand through imports and distribution.

Managements' Reply to qualification given in the Auditors' Report

With regard to the qualification made by the Auditors' in their report (Para 4) since Optimistic Organic Sdn. Bhd (OOSB) has acquired the liabilities and is continuing operation, the Board believes that the amounts referred to in Para 4 are recoverable.

Financial and Operating performance

Company achieved a Net Profit of ₹1,897 lakhs Compared to Net profit of ₹ 2,575 lakhs in the previous year.

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, etc is about ₹ 9,497 Lakhs on Net Sales of about ₹ 76,707 Lakhs. That is, over 12 % of Company's Sales is contributions to the Exchequer.

Research and Development

The Company's in-house Research and Development facility is approved by the Government of India, Department of Science and Technology, and under Section 35 (2AB) of the Income Tax, 1961. It is focusing on developing and improving our Fine Chemicals, Food Ingredients and Derivatives businesses, both in terms of Grades, Applications and New products.

The Company has seen significant results from the efforts of the last 2 years in our Derivatives and Food Ingredients Businesses, where we are now selling to new Applications and at better margins in Exports and also in India than previously.

An amount of ₹ 237 lakhs (₹ 209 Lakhs) has been spent during the year for these projects on which the Company avails a weighted deduction of 200 % (150 %)

Risks and concerns

Severe pressure on margins, high raw material prices, availability of substitutes, indiscriminate imports, foreign exchange fluctuations 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.

Also, Dumping of Phthalic Anhydride into our Country at very low numbers from the Far East is a matter of concern.

Current Year

Demand growth is strong in all our products in India. There has been a steady surge in Raw Material prices. The end markets are still taking time to adjust to these higher levels. Our Food Ingredients and Derivatives Business has been doing well.

The Improvement Programmes started during the last year will start yielding results during this year. We hope to improve our Revenues and our Profitability. The Plants have been operating smoothly with regular Maintenance and Shutdowns for Catalyst changes and Technology upgradation during this year but these have not affected the Sales.

Outlook

Your Company remains optimistic about the bright future lying ahead. It will endeavor to grow its leadership by building on it strengths for competitive advantage. Towards this the Company has undertaken a business review process by appointing external consultants.

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 on the basis of subsequent developments, information or events.

Exports

Calculated on FOB basis, Exports amounted to ₹ 8,665 lakhs (₹ 6,417 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.

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 ₹ 8.44 Lakhs due for repayment on or before March 31, 2011 were not claimed by the depositors as on that date.

Statement pursuant to Listing Agreement

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

Report on Corporate Governance

The Report on Corporate Governance as stipulated under clause 49 of the listing agreement forms part of the Annual Report and is annexed herewith.

As required by the Listing Agreement, Auditors' Report on Corporate Governance and a declaration by the Chairman & Managing Director with regard to the Code of Conduct are attached to the said Report.

The Management Discussion and Analysis is given as a separate statement forming part of the Annual Report.

Further as required under Clause 49 of the Listing Agreement, a certificate duly signed by the Managing Director and the Chief Financial Officer on the Financial Statements of the Company for the year ended 31st March, 2011, was submitted to the Board of Directors at their meeting held on May 30, 2011