



**THIRUMALAI
CHEMICALS LTD.**

39th
Annual Report
2011–2012



Board of Directors

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

Company Secretary

Mr. T. Rajagopalan

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
501-502, Narian Chambers,
M. G. Road, Vile Parle (E),
Mumbai - 400 057

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

39th Annual General Meeting

Date & Time

Friday, July 13, 2012 at 4.00 p.m.

Venue

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

Book closure

Thursday, 5th July, 2012 to Friday, 13th July, 2012 (both days inclusive)

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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 NINTH ANNUAL GENERAL MEETING OF THIRUMALAI CHEMICALS LIMITED** will be held at THE MYSORE ASSOCIATION AUDITORIUM, Mysore Association, 393, Bhaudaji Road, Matunga C-Rly., Mumbai – 400 019 on Friday, July 13, 2012 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 Statement for the year ended March 31, 2012 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. Pradeep Rath, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the financial year 2012-2013 and fix their remuneration.

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 Thursday, July 5, 2012 to Friday, July 13, 2012 (both days inclusive) for the purpose of AGM.
- d) Reappointment of retiring Directors:

Mr. S. Santhanam, Mr. Atul Agarwal and Mr. Pradeep Rath, Directors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. S. Santhanam, 72 years, a Printing Technologist, having extensive management experience, is a Director in Ultramarine & Pigments Limited, Global Humanisation & Business Association Ltd and Chairman of Wealth of Wellness Pvt. Ltd.

Mr. Atul Agarwal, 53 years, a qualified Chartered Accountant, is the Managing Director in Mercator Limited and also Director in Mercator Lines (Singapore) Ltd, AAAM Properties Pvt Ltd (India), Indian Register of Shipping (India), Mercator FPSO Pvt Ltd. (India), Vidya Varsha Inc. (Panama), Mercator Oil and Gas Ltd (India), Mercator Petroleum Ltd, (India), Oorja Mozambique Minas LDS (Mozambique), Broadtec Mozambique Minas LDA, (Mozambique) Oorja Resources India Pvt. Ltd (India), Mercator Offshore Pte. Ltd., (Singapore) and Ivorene Oil Services (Nigeria) Ltd, Singapore.

Mr. Pradeep Rath, 59 years a reputed businessman with vast knowledge and experience in the Chemical Industry, is Vice Chairman and Managing Director of Sudarshan Chemicals Industries Ltd. and as Director of many other Public Companies including Prescient Color Ltd., Lahoti Overseas Ltd., Rath Brothers Poona Ltd., Rath Brothers Calcutta Ltd., Rath Brothers Madras Ltd., Rath Brothers Delhi Ltd., RIECO Industries Ltd., Sanghvi Movers Ltd., Finolex Cables Ltd.

- e) 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 change in their Bank Mandate or Address, if any.
- f) 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.
- g) Pursuant to the provisions of Section 205A(5) & 205(C) of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividend for the financial years 1995-1996 to 2003-2004 to the Investor Education and Protection Fund (The 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.

- h) 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.



- i) 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.
- j) Members/Proxies are requested to bring attendance-Slip along with their copy of Annual Report to the Meeting.
- k) 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 to Shareholders like General Meeting Notices (including AGM Notice), Audited Financial Statements, Directors' Report, Auditors' Report etc henceforth to the Shareholders in electronic form in lieu of the physical form. Shareholders, in the Demat Mode & the Physical Mode are requested to provide their email ID for the purpose of servicing documents by the Company in electronic mode at our email id thirumalaigogreen@linkintime.co.in

By Order of the Board
For **Thirumalai Chemicals Ltd.**

T. RAJAGOPALAN
Company secretary

Registered Office:

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

May 24, 2012

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

**The Members,
Thirumalai Chemicals Ltd.**

Your Directors present their **THIRTY NINTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended March 31, 2012.

	(₹ In lakhs)	
STANDALONE FINANCIAL RESULTS	Year ended 31.3.2012	Year ended 31.3.2011
Revenue from operations	90,404	76,298
Income from Windmill Operation	138	146
Other Income	588	676
	<u>91,130</u>	<u>77,120</u>
Gross Profit / (Loss) before Interest and Finance Charges and Depreciation	7,198	7,019
Interest and Finance charges	5,237	3085
Profit / (Loss) before Depreciation and Tax	1,961	3,975
Depreciation	1,381	1,339
Profit / (Loss) before Tax	580	2,636
Provision for Current Tax	346	30
Profit / (Loss) after Current Tax	234	2,565
Provision for Deferred Tax	244	710
Profit / (Loss) after Tax	478	1,855
Balance in Profit & Loss Statement	3,563	1,708
	<u>4,041</u>	<u>3,563</u>
APPROPRIATIONS		
Dividend	-	-
Tax on Dividend	-	-
General Reserve	-	-
Balance carried forward	4,041	3,563
	<u>4,041</u>	<u>3,563</u>

On a Revenue from operation of ₹ 90,404 lakhs (₹ 76,298 lakhs) including Export earning on FOB basis of ₹ 11,909 lakhs (₹ 8,665 lakhs), Income from windmill operation of ₹ 138 lakhs (₹ 146 lakhs) and Other Income of ₹ 588 lakhs (₹ 676 lakhs), the Gross Profit of the Company amounted to ₹ 7,198 lakhs (Profit of ₹ 7,019 lakhs in the previous year). After providing for Interest and Finance charges, Depreciation, the Profit after Tax is ₹ 478 lakhs (₹ 1,855 Lakhs) in the previous year. The performance during the year is explained below in Management's Discussion and Analysis.

Subsidiaries

Tarderiv International Pte Ltd., Singapore is a wholly-owned subsidiary of your Company and it is having 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 Statement of our Subsidiaries. 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 subsidiaries, 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 2011-2012. (Previous Year- Nil)

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

As we mentioned to you last year, we have completed a thorough review of the business and certain specific goals including Transforming our commodity Chemical Business (Phthalic Anhydride) to be globally competitive in size & profitability.

Grow our existing Derivatives Businesses, which serve the Food and Cosmetic, and other Industries, building strong businesses of significant size in each area.

We have now put these strategies into implementation and they are already bearing good results in the last 4 to 5 months.

We expect further improvement of the Company in these areas.

This year has started off extremely competitive after a reasonable situation in the previous year. While the prices of Raw material went up, margins of Finished Product went down significantly causing poor result in the first 8 months.

The various initiatives that we had begun, have started to yield results from Q3 end, in terms of reduced costs, faster operating cycles, better funds management, and capacity utilization, all resulting in improved competitiveness and profitability; even in a difficult market situation.

These will yield positive results during the regular up-cycles in the market, and allow us to be competitive even during the down-cycles.

The improvements in Technology that were under implementation last year have contributed to Energy reduction and Plant improvement.

The Government's intervention in Dumping has been positive.

The Specialty Chemicals Areas viz., the Food Ingredients, & Cosmetic Chemicals have grown well and profitably. Separate Teams now focus on growth in India and in International markets.

Valuation of Inventories and Stocks

The Company during the last 15 years or so has been valuing its Inventories / Stocks of Raw Materials, Finished Goods and Work-in-Progress, at Weighted Average method.

During the last few years, this has been found to cause significant variation between the recent & current Purchases and Sales and the Inventories and Stocks values reported in the Financial Books.

In the last few Quarters due to a very large volatility, these variations have caused Operating issues such as difficulties in Costing, misalignment between Business Decision making which is based on First-in and First-out (FIFO) / Current Market prices with respect to the Financial Valuation, and Pricing issues and Marketing issues.

For Commodity products which are our main Businesses, in a volatile environment FIFO is the preferred Business Valuation method, as it will most correctly reflects the current realities.

The Auditors have for the last few years been discussing this change in value procedure from Weighted Average to FIFO method.

As the discrepancy has become very aggravated during the last half year leading to differences as high as Rs. 15 cr. to Rs. 20 cr. in the Purchase and Sales value in the last Quarter, it has been discussed by the Board to change the valuation method from Weighted Average to FIFO.

This has been based on the recommendation by the Business Review and Audit Committees. After discussion this has been accepted by the Board and it has been decided to implement it, however, from 1st April 2012.

Managements' Reply to qualification given in the Auditors' Report

With regard to the qualification made by the Auditors' in their report, since our subsidiary Optimistic Organic Sdn. Bhd (OOSB) is now operating profitably and has started improving further, the Board believes that the amounts referred to in Para 4 are fully recoverable.

Financial and Operating performance

Company achieved a Net Profit of ₹ 478 lakhs Compared to Net profit of ₹ 1,855 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 ₹ 9,751 lakhs on Net Sales of about ₹ 91,764 lakhs. That is around 10.63 % 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 improving quality of our Fine Chemicals, Food Ingredients and Derivatives businesses, as also in terms of Grades, Applications, etc.

An amount of ₹ 233 lakhs (₹ 237 lakhs) has been spent during the year for these projects on which the Company avails a weighted deduction of 200 % (150 %)

Risks and concerns

As a Commodity Industry, our main product Phthalic Anhydride and Maleic Anhydride are exposed to sharp cycles and are resulting in profitability pressures from time to time.

The other areas which could upset our plans are Raw material prices & sourcing, Dumped Imports and Forex fluctuations, and Manufacturing Risks.

Current Year

While there has been a general slowdown in Industry, our Commodity Business continuous to have good growth. Raw Material prices and Finished Product prices have reached an all time record and though it is very difficult for the customer, we and they have had to adjust, and work closely in this area.

On the Specialty Businesses we are doing well and will be running at maximum capacity. The improvement programmes started in the last 1 – 1.5 years, have started producing results last year and we expect further improvements during the current year. The manufacturing is running smoothly and our supply chain and other areas have improved.

We expect this to be a Year of growth.

Outlook:

Your Company is very positive about the current & future years.

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 ₹ 11,909 lakhs (₹ 8,665 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 confirms 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 ₹ 10.27 Lakhs due for repayment on or before March 31, 2012 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 of India 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

A Report on Corporate governance is annexed herewith. Auditors' Report on the same is also annexed.

Personnel

Industrial Relations are extremely cordial. The Directors wish to place on record their appreciation of the devoted services rendered by the employees.

Directors

Mr. S.Sridhar ceased to be Managing Director w.e.f. 6th January, 2012. and continue as a Director.

Mr.S.Santhanam, Mr. Atul Agarwal and Mr.Pradeep Rathi Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

The Board recommends their aforesaid reappointments.

Auditors

M/s. Contractor, Nayak and Kishnadwala, Chartered Accountants, 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, Chartered Accountants, as Auditors for the Current Year.

Particulars of Employees

As per the Companies (Particulars of Employees) Amendment Rules, 2011 vide Notification No.G.S.R.No.289(E) dated 31st March, 2011, no employee of the Company is in receipt of remuneration in excess of the limits under Section 217(2A) read with clause 642(1)(a) of the Companies Act, 1956.

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- 1.

Acknowledgements

Your Directors would like to place on record their sincere appreciation for the continued support given by the Banks, Government Authorities, Customers, Vendors, Shareholders and Depositors during the year under review. Your Directors also appreciate and value the contributions made by its executives, staff and workers of the Company at all levels.

For and on behalf of the Board of Directors

Mumbai
24th May, 2012

R.Parthasarathy
Managing Director

ANNEXURE 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.

CONSERVATION OF ENERGY:

Energy saving systems are incorporated wherever necessary. Energy savings are attempted continuously.

Existing energy saving systems are properly utilized and further devices are added when necessary.

I	Fuel Consumption	Units	Year Ending 2011 - 2012	Year Ending 2010 - 2011
1	Electricity			
	a) Purchased Units	KWHR	1,537,220	1,843,800
	Total Amount Paid	₹	9,809,798	10,058,916
	Rate per Unit	₹	6.38	5.46
	b) Own Generation	KWHR	3,679,952	3,690,923
	Unit / Ltr of HSD	KWHR/LTR	2.78	2.82
	Cost per Unit	₹	14.88	12.82
2	Coal : Consumed in the process	KWHR	Nil	Nil
3	Furnace Oil			
	Total Quantity	KL	6,506	6,369
	Total Amount	₹	228,455,589	168,917,983
	Average Rate	₹	35,114	26,522
4	Other Internal Generations	KWHR	22,477,893	23,334,872
5	Consumption Per Tonne of Production			
	Electricity	KWHR	15.28	17.17
	Furnace Oil	Ltr	64.68	59.30
	Diesel	Ltr	13.16	12.17
	Production Details (bagged - in MT)	Quantity Mts		
	Total Production	1,00,565		

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 cost reduction of Specialties.
 - b) Development of new value added products from Maleic Anhydride, Phthalic Anhydride and others.
 - c) Reduction in the cost of production on food acids.
 - d) Improvement in effluent treatment methods and effluent reduction using microbiological techniques.
 - e) Reducing Energy Cost
- 2) Benefits derived as a result of above effects.
 - a) Improvement of yield in the plants.
 - b) Improvement in quality of products.
 - c) Optimal utilization of Raw materials in Fine chemical plants.
 - d) Significant Energy Reduction
- 3) Future plan of action.
 - a) Process improvement to reduce Water Consumption and Effluent.
 - b) Reduce energy cost per unit of production further.



4) Capital Expenditure on R & D		
a) Capital	₹ 25.19 lakhs	(₹ 1.05 lakhs)
b) Recurring	₹ 207.90 lakhs	(₹ 236.14 lakhs)
c) Total	₹ 233.09 lakhs	(₹ 237.19 lakhs)
Total R&D expenditure as a % of sales	0.26%	0.29%
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.		
c) Improvement in the quality of the products, increased productivity and reduced cost of production in all products.		
d) Particulars of Technology imported during the last 5 Years. None.		
e) Techno-commercial studies of fine chemicals		
f) Food acidulants- awareness to customers, technical services to users of our products.		
III) Foreign Exchange Earning and Outgo		
Export earnings	– ₹ 11,909 lakhs	(₹ 8,665 lakhs)
Outgo	– ₹ 8,670 lakhs	(₹ 15,303 lakhs)

For and on behalf of the Board of Directors

R. Parthasarathy
Managing Director

Mumbai,
24th May, 2012