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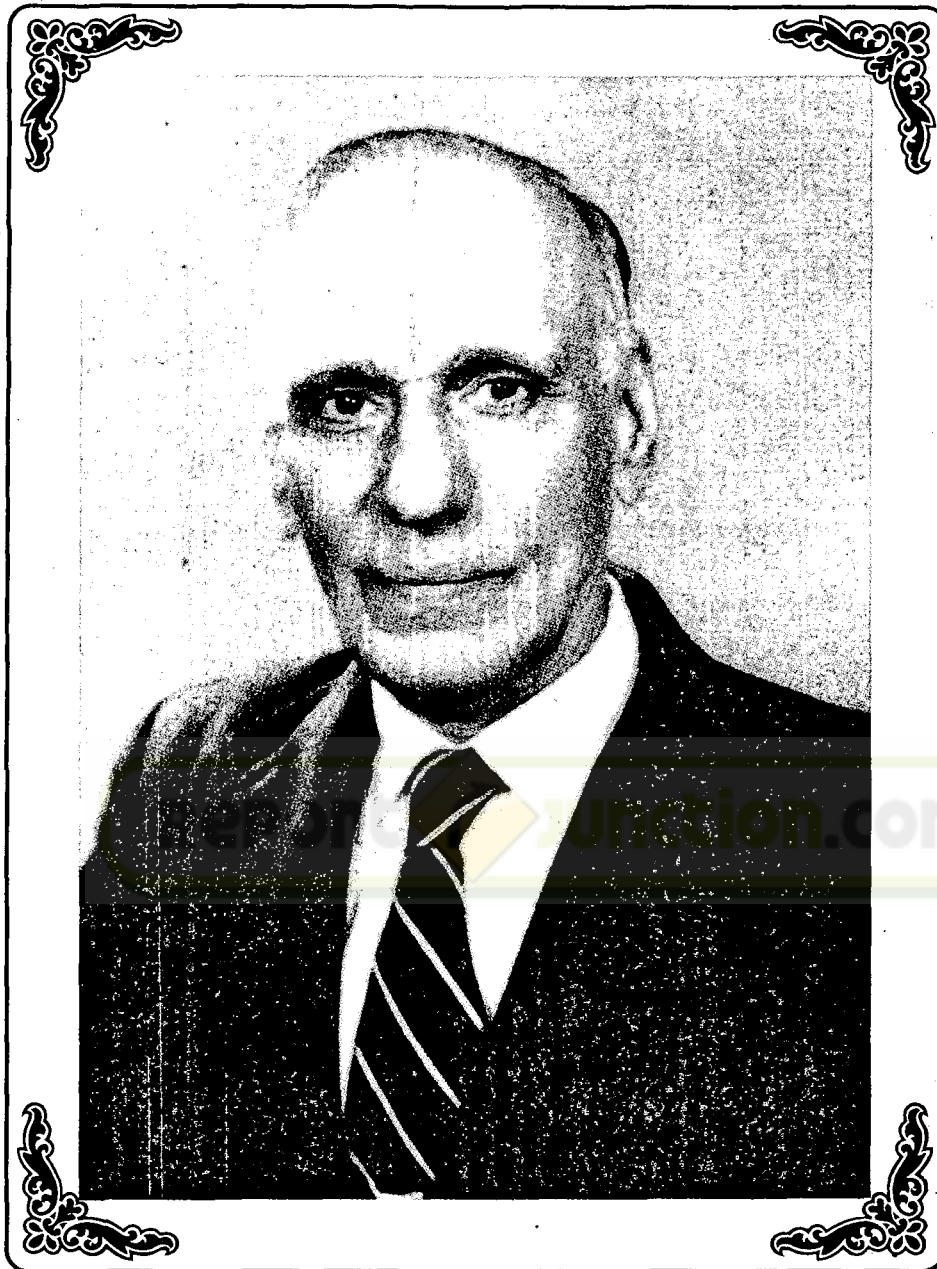
THIRUMALAI CHEMICALS LIMITED

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**25th Annual
Report
1997-98**

"SO, HE PASSED OVER, AND ALL THE TRUMPETS
SOUNDED FOR HIM ON THE OTHER SIDE"

— JOHN BUNYAN



Shri N.S. Iyengar

(1.2.1912 - 26.11.1997)

✧ **FOUNDER** ✧

THIRUMALAI CHEMICALS LTD.
ULTRAMARINE AND PIGMENTS LTD.
CHEMIDYE MANUFACTURING CO. PVT. LTD.
TCL INDUSTRIES (MALAYSIA) SDN BHD
THIRUMALAI CHARITY TRUST

BOARD OF DIRECTORS :

S. SRIDHAR (Chairman & Managing Director)
 R. PARTHASARATHY (Vice Chairman & Managing Director)
 S. SANTHANAM
 M. G. RAJARAM
 CYRIL S. SHROFF
 N. LAKSHMANAN (Nominee of LIC)
 A. V. ESWARAN
 R. SUNDARA RAJAN
 DR. S. RAMA IYER
 DILIP J. THAKKAR

COMPANY SECRETARY :

S. MADHAVAN

BANKERS :

ABN AMRO BANK
 BANK OF BARODA
 BANK OF INDIA
 CREDIT AGRICOLE INDOSUEZ
 ICICI BANKING CORPORATION LIMITED
 INDIAN BANK
 STANDARD CHARTERED BANK
 STATE BANK OF INDIA

AUDITORS :

R. B. PATEL & CO.
 Chartered Accountants
 Podar Chambers, Parsi Bazar Street,
 Mumbai 400 001.

REGISTERED OFFICE AND SHARE DEPARTMENT :

Baldota Bhavan,
 117, Maharshi Karve Road,
 Mumbai 400 020.
 Tel. : 203 0445 / 208 7790
 Fax : 205 1145

ADMINISTRATIVE OFFICE :

8th Floor, 'B' Wing, Mittal Towers,
 Nariman Point, Mumbai 400 021.
 Tel. : 204 2163 / 285 4047 / 282 3330 / 282 3979 / 283 3476
 Telex : 118-3907 PAN IN
 Fax : 204 2162
 E-mail : bbyoffi.thiru@axcess.net.in

FACTORY :

Ranipet, North Arcot District, Tamilnadu.
 Tel. : 44441 / 44442 / 44045
 Telex : 402 224 TCL IN / 402 201 PTAN IN
 Fax : 041728 - 44308

**25TH ANNUAL
GENERAL MEETING****DATE :**

Monday, August 10, 1998

VENUE :

Walchand Hirachand Hall,
 Indian Merchant Chamber Marg,
 Churchgate, Mumbai 400 020.

DIVIDEND :

40%

BOOK CLOSURE :

July 28 to August 10, 1998

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

25th Annual Report

NOTICE

NOTICE is hereby given that the **TWENTY FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THIRUMALAI CHEMICALS LIMITED** will be held at Walchand Hirachand Hall, Indian Merchants Chamber Marg, Churchgate, Mumbai 400 020 on Monday, 10th August, 1998 at 3.00 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 31st March, 1998 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. R. Sundararajan, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. Santhanam, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the Current Year and fix their remuneration and in this connection, to consider, and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL resolution.

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. R.B. Patel & Company, Chartered Accountants, Mumbai, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration as may be agreed upon between the Board of Directors and the said M/s. R.B. Patel & Company".

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT Dr. S. Rama Iyer, who was appointed as an Additional Director of the Company with effect from 25th November, 1997 under Article 126 of the Articles of Association of the Company 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 modification, the following resolution as an Ordinary resolution.

"RESOLVED THAT Mr. Dilip J. Thakkar, who was appointed as an Additional Director of the Company with effect from 20th March, 1998 under Article 126 of the Articles of Association of the Company 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 modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows:

- a) After sub-clause with marginal notes 'writing' of Article 2 the following sub-clauses shall be inserted.

The word 'beneficial owner' shall mean the beneficial owner as defined in clause [a] of Sub-Section [1] of Section 2 of the Depositories Act, 1996.

The word 'Depositories Act, 1996' shall include any statutory modification or re-enactment thereof.

The word 'Depository' shall mean a Depository as defined under clause [e] of sub-section [1] of Section 2 of the Depositories Act, 1996.

- b) The following paras to be added to the existing Article 26.

"Provided the share[s] are not held, in an electronic and fungible form under the provisions of the Depositories Act, 1996".

"Provided further that the provision relating to progressive numbering shall not apply to the shares/ debentures of the Company which have been dematerialised".

N O T I C E

- c] To insert the following after the existing Article 27.

"Notwithstanding anything contained in the Articles of Association, the Company shall be entitled to dematerialise its Shares, Debentures and other securities pursuant to the Depositories Act, 1996, and to offer its Shares, Debentures and other securities for subscription in a dematerialised form".

- d] The following para to be added to the existing Article 21 as 21 [c].

"Further the Company shall also be entitled to treat the person as the holder of any share[s] whose name appears as the beneficial owner of the shares in records of the Depository, as the absolute owner thereof and accordingly shall not [except as ordered by a Court of competent jurisdiction or as by law required] be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof".

- e] The following para to be added to the existing Article 30 as 30 [f].

"No share certificate[s] shall be issued for shares held in a depository"

- f] The following para to be added to the existing Article 6.

"The Company shall further be entitled to maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media".

- g] To insert the following para after the existing Article 59.

"Notwithstanding anything contained herein, in the case of transfer of shares/debentures or other marketable securities where the Company has not issued any Certificates and where such shares or securities are being held in any electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply."

Registered Office
Baldota Bhavan,
117, Maharshi Karve Road,
MUMBAI 400 020.

Dated : 25th June, 1998.

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

S. MADHAVAN
COMPANY SECRETARY

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 from 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, **28th July, 1998** to Monday, **10th August 1998** [both days inclusive] for the purpose of payment of dividend for the Financial Year ended 31st March, 1998.
- d] The Dividend when declared, will be paid on or around 26th August 1998 to those shareholders whose names appear in the Register of Members as on 10th August, 1998.
- e] Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
- f] Members are requested to notify the Company immediately change of address, if any, and also write to the Company immediately about corrections, if any, in name, address and pincode.
- g] Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the interim dividend for Financial Year Ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra.
- h] Members are requested to furnish their Bank Account Number, Name of the Bank and Branch, which will be printed on the Dividend Warrant to prevent fraudulent encashment of dividend warrants.
- i] An explanatory statement in respect of Special Business to be transacted at the meeting is appended hereto.

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ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173[2] OF THE COMPANIES ACT, 1956.

ITEM NO. 5 :

Section 224A of the Companies Act, 1956 provides that in case of a Company in which not less than 25% of the subscribed share capital is held either singly or in any combination by Public Financial Institutions, Insurance Companies and Nationalised Banks, the appointment or reappointment of the Auditor of the company shall be made by a special resolution.

The holding of Public Financial Institutions, Insurance Companies and Nationalised Banks collectively is about 25% of the Company's subscribed share capital. Therefore the resolution for the re-appointment of the Auditor and fixation of their remuneration is proposed as a Special resolution, by way of abundant caution.

As required under Section 224 of the Companies Act, a certificate has been obtained from the Auditors M/s. R.B. Patel & Company, to the effect that their re-appointment, if made, will be in accordance with the limit specified in Section 224 [1B] of the Act. None of the Directors of the Company is concerned or interested in the said resolution.

ITEM NO. 6 :

Dr. S. Rama Iyer was appointed as Additional Director of the Company effective from 25th November, 1997 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Dr. S. Rama Iyer holds office as an Additional Director of the Company 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 Dr. S. Rama Iyer, as a Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Dr. S. Rama Iyer is a reputed technocrat and is on the Board of several companies including as Chairman and Managing Director of Kvaevner Powergas [I] Ltd. 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 Dr. S. Rama Iyer is concerned or interested in the Resolution.

ITEM NO. 7 :

Mr. Dilip J. Thakkar was appointed as Additional Director of the Company effective from 20th March 1998 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Dilip J. Thakkar holds office as an Additional Director of the Company 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. Dilip J. Thakkar, as a Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Dilip J. Thakkar is an eminent Chartered Accountant with vast knowledge and experience in Collaboration, Joint Ventures etc. He is also on the Board of several companies. Mr. Dilip J. Thakkar is also partner of M/s. Jayantilal Thakkar & Company, Chartered Accountants, Mumbai. 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. Dilip J. Thakkar is concerned or interested in the Resolution.

ITEM NO. 8 :

The Board of Directors may seek admission of the Company's equity shares/Debentures to the Depository System with National Securities Depository Limited.

Consequent to the passing of the Depositories Act, 1996 and introduction of the depository system, some of the provisions of the Companies Act, 1956, pertaining to issue, holding, transfer and dealing in shares and other securities as also certificates thereof have to be amended so as to facilitate the Depository system. Accordingly the Articles of Association of the Company need to be amended as proposed in the resolution to be in line with the provisions of the Depositories Act, 1996.

The Board of Directors accordingly recommend the Resolutions for approval of the Members. Any amendment to the Articles of Association of the Company requires approval of the Shareholders. Hence the proposed special resolution.

A copy of the Memorandum and Articles of Association of the company is available for inspection by shareholders at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days except Saturdays.

None of the Directors of the Company is concerned or interested in the Resolution.

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

MUMBAI
25th June, 1998.

S. MADHAVAN
COMPANY SECRETARY

DIRECTORS' REPORT

To
The Members,
Thirumalai Chemicals Ltd.

Your Directors have pleasure in presenting their **TWENTY FIFTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS	Year Ended 31st March, 1998		Year Ended 31st March, 1997	
	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)
Sales	14161		13596	
Other Income	471		581	
		14632		14177
Gross Profit before Interest and Depreciation		3224		2977
Interest		928		588
Depreciation	1028		1523	
Less : Transfer from Reserves	—		889	
		1028		634
Provision for taxation		136		112
Profit after tax		1132		1643
Transferred from Investment Allowance Reserve Utilisation		49		96
Adjustment for Expenses/ Tax in earlier years.		—		[44]
Balance in Profit & Loss Account		2494		3047
Profit available for appropriation		3675		4742
Appropriations				
Interim Dividend		—		190
Proposed Dividend		398		190
Tax on distributed profits @ 10%		40		19
Debenture Redemption Reserve		319		349
General Reserve		1414		1500
Balance Carried Forward		1504		2494
		3675		4742

DIVIDEND

Your Directors recommend a dividend at the rate of 40% free of tax at the hands of members. The dividend tax on the proposed dividend will be Rs. 40 Lakhs [Rupees Forty Lakhs].

OPERATIONS

The Company achieved record production of 48868 MT during the year against 37155 MT during the previous year.

25th Annual Report

DIRECTORS' REPORT

In a year of recession [both Local and Global], political uncertainty, South East Asian crisis and wide fluctuation of Indian Rupee, the Company's production of 48868 MT during the year should be considered reasonable.

Due to crisis in Indonesia and Korea, India was the safe dumping ground for many of the products including Phthalic Anhydride (PAN) and products consuming Phthalic Anhydride. To face the onslaught caused due to the dumping of PAN and products consuming PAN by producers from countries like Indonesia and Korea, the company had to lower PAN prices. With a little support from the Government, the dumping could have been avoided. The Company's other products, viz. Maleic Anhydride, Fumaric Acid and Malic Acid continued to do well.

On a sales turnover of Rs. 14161 lakhs [including export earning on FOB basis of Rs. 3521 lakhs] and other income of Rs. 471 lakhs, the gross profit of the company amounted to Rs. 3224 lakhs [previous year Rs. 2977 lakhs]. After payment of interest, providing for depreciation and taxation, the net profit amounted to Rs. 1132 lakhs with EPS of Rs. 11.37.

The new PAN units started producing quality products during the year and all the parameters like yield, quality, saving on power and fuel, plant's functioning etc. were satisfactory. The Company also commenced commercial production of Malic Acid during the year. In a full year of continuous working, there would be further improvements and substantial cost savings.

PROJECTIONS v/s. PERFORMANCE :

The projections as per ICICI appraisal as reported in the Company's Letter of Offer dated 12th Jan, 1995 and the figures of actuals as per the audited accounts for the year ended March 31, 1998 are as under:

	PROJECTIONS [1998] [Rs. in lakhs]	ACTUALS [31/3/1998] [Rs. in lakhs]
Total income	17659	14632
Profit after tax	1650	1132
Earnings per share (Rs.)	15.98	11.37
Dividend	20%	40%

EXPORTS :

The Company's export efforts were affected mainly due to turmoil in the world petrochemical industry and particularly due to depressed export PAN prices. During the year under review, export earnings calculated on FOB basis amounted to Rs. 3521 lakhs against Rs. 5548 lakhs in the previous year.

CURRENT YEAR :

Performance of the Company during the current year should be much better than the previous year as a result of the increased capacity utilisation.

With slight revival in economy and infrastructure spending, the demand for all the Company's products like Phthalic Anhydride, Maleic Anhydride, Fumaric Acid and Malic Acid should increase substantially and Company with world scale capacities is suitably placed to increase production, sales and profitability during the year 1998-99 and subsequent years.

RESEARCH & DEVELOPMENT :

Company's R & D Department is continuously engaged in developing processes for the manufacture of high value-added speciality chemicals.

MALAYSIAN VENTURE :

The commercial production of the Joint Venture Company in Malaysia for the manufacture of Maleic Anhydride with a capacity of 35,000 M. Tonnes per annum started during November 1997 and it is working satisfactorily.

DIRECTORS' REPORT

FINANCE :

All taxes and statutory dues are being paid on time. Payment of interest and instalments to the Financial Institutions and Banks are being made as per schedule. Deposits aggregating Rs. 49,000/- due for repayment on or before March 31, 1998 were not claimed by the depositors as on date.

The Company is grateful to financial institutions and the consortium of Banks for extending continued support.

PERSONNEL :

Industrial relations continue to be cordial. The Directors place on record their appreciation of the devoted services rendered by the employees.

DIRECTORS :

Shri. N.S. Iyengar, the Founder and Chairman of the Company passed away on 26th November, 1997. He was closely associated with the Company since its inception and was indeed a crucial pillar for the company during its formative and later years. He was a source of strength, inspiration, and guidance. His pragmatic policies and conservatism which has enabled the company to be in good stead have largely resulted in the company growing from strength to strength. With profound grief, the Directors put on record the invaluable services rendered by late Shri. N.S. Iyengar during his tenure as a Director.

Mr. S. Sridhar, Managing Director was elected and appointed as the Chairman of the Company. Under the Chairmanship of Mr. S. Sridhar, the Company will continue to follow the policies laid by late Shri. N.S. Iyengar and realise his dreams.

During the year Dr. S. Rama Iyer and Mr. Dilip J. Thakkar were appointed as Additional Directors and the Board commends their reappointment at the ensuing meeting. Mr. Lakshmi Kumaran, who was advising the company on legal matters was also appointed as the Director. He however resigned as a Director but his service continues to be available to the Company as an adviser.

In accordance with the Companies Act, 1956 and the Company's Articles of Association, Mr. R. Sundararajan and Mr. S. Santhanam retire by rotation at the Annual General Meeting and being eligible they offer themselves for reappointment.

AUDITORS :

Members are requested to appoint Auditors for the current year and fix their remuneration. The notes to the accounts referred to in the Auditors' Report are self explanatory and, therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES :

The particulars of Employees under section 217 [2A] of the Companies Act, 1956 is given in Annexure-1.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUT GO :

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.

For and on behalf of the Board
THIRUMALAI CHEMICALS LIMITED

MUMBAI
Dated 25th June 1998.

S. SRIDHAR
CHAIRMAN