

28th Annual Report **2000-2001**



Thirumalai Chemicals Ltd.

BOARD OF DIRECTORS :

S. SRIDHAR (Chairman & Managing Director)
 R. PARTHASARATHY (Vice Chairman & Managing Director)
 S. SANTHANAM
 CYRIL S. SHROFF
 Y. RAMACHANDRAN (Nominee of LIC)
 R. SUNDARA RAJAN
 DR. S. RAMA IYER
 DILIP J. THAKKAR
 PRADEEP RATHI

COMPANY SECRETARY :

S. MADHAVAN

BANKERS :

ABN AMRO BANK
 ANDHRA BANK
 BANK OF BARODA
 BANK OF INDIA
 GLOBAL TRUST BANK LTD
 INDIAN 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
 E-mail : ultrapl@vsnl.com

ADMINISTRATIVE OFFICE :

Thirumalai House, Road No. 29,
 Near Sion Hill Fort, Sion (E), Mumbai 400 022.
 Tel. : 401 7841, 7834, 7853, 7861
 Fax : 401 1699
 E-mail : thirumalai@thiruchem.com

FACTORY :

Ranipet, North Arcot District, Tamilnadu.
 Tel. : 44441/44442/44045
 Fax : 041728 - 44308
 E-mail : mail@thirumalaichemicals.com

Web : <http://www.thirumalaichemicals.com>

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

General Information

- (A) Company's Shares Listed at
 - 1) Mumbai Stock Exchange
 - 2) Madras Stock Exchange
- (B) Company's Shares are mandated for trading in demat mode.
- (C) ISIN No. Alloted to company's shares is INE 338A01016

28TH ANNUAL GENERAL MEETING

DATE :

Monday, September 17, 2001
 at 4.00 p.m.

VENUE :

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

BOOK CLOSURE :

September 4, 2001 to September 17, 2001

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T Thirumalai Chemicals Ltd.

NOTICE

NOTICE is hereby given that the **TWENTY 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, September 17, 2001 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, 2001 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Dr. S. Rama Iyer, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Dilip J. Thakkar, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors for the current Year and fix their remuneration.

July 26, 2001.

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

Registered Office :
Baldota Bhavan
117, Maharshi Karve Road,
Mumbai - 400 020.

S. MADHAVAN
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 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, September 4, 2001 to Monday, September 17, 2001 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 Directors:

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

Dr. S.Rama Iyer, 61 years, has been a Director of the Company from November 25, 1997. He is a Phd, M.I.I.Chem.E and a reputed Technocrat with vast experience and knowledge. He is the Chairman & Managing Director of Kvaerner Powergas India Ltd, Chairman and Director of Xytel India P.Ltd and Director of Powergas Information Technology Services Ltd, Powergas Services India P.Ltd, Indsil Electrosmelts Ltd and Tata Construction and Projects Ltd.

Mr. Dilip J. Thakkar, 64 years, B.Com, LLB, FCA., is an eminent Chartered Accountant and is the Partner of Jayantilal Thakkar & Co, Chartered Accountants and Jayantilal Thakkar & Associates,

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Chartered Accountants. He is also a Director of several Companies including Matsushita Lakanpal Battery India Limited, Garware Polyester Limited, Himatsingka Seide Limited, Premier Auto Electric Limited, Essar Investments Limited, Essar Oil Limited, Omega Management Services Limited etc.

- 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) 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) All unclaimed Dividends upto the Interim Dividend for the Year ended March, 31, 1996 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. Consequent upon the introduction of Section 205C, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of Company is required to be transferred to the Investor Education and Protection Fund to be set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) from the Final Dividend for financial year ended 31.3.1996 onwards are requested to make their claims to the Company without any delay.

- 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) 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.

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

S. MADHAVAN
Secretary

July 26, 2001.

Registered Office :
Baldota Bhavan
117, Maharshi Karve Road,
Mumbai - 400 020.

Thirumalai Chemicals Ltd.

DIRECTORS' REPORT

To
The Members,
Thirumalai Chemicals Ltd.

Your Directors present their **TWENTY EIGHTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended March 31, 2001.

[Rs. in Lakhs]

FINANCIAL RESULTS	Year ended 31/3/2001	Year ended 31/3/2000
Sales	18,091	23,666
Other Income	331	435
	18,422	24,101
Gross Profit before Interest and Finance charges & Depreciation.	2,285	3,803
Interest and Finance charges	1,887	1,580
Depreciation	888	920
Provision for Taxation	--	148
Prior Year Adjustment	42	3
Pofit / (Loss) after Tax	(532)	1,152
Transferred from Investment Allowance Reserve Utilisation and Adjustments for previous years.	--	74
Balance in Profit & Loss Account.	832	1,628
Profit available for appropriation.	300	2,854
APPROPRIATIONS.		
First Interim Dividend	--	199
Second Interim Dividend.	--	299
Tax on Distributed Profits.	--	55
Debenture Redemption reserve	63	319
General Reserve	--	1,150
Balance carried forward	237	832
	300	2854

DIVIDEND :

Owing to loss for the year, your Directors regret their inability to recommend any Dividend.

OPERATIONS :

The Year under review which began well ended badly. Economic growth declined. Low demand, over capacities for PAN, depressed export markets, imprudent and suicidal marketing by some manufacturers, unremunerative prices etc resulted in lower capacity utilization. The Directors request the shareholders to evaluate the performance of the Company giving due consideration for these difficult conditions. The Company achieved production of 46511 MT during the year compared to 67784 MT during the previous year showing a decline of about 31 %.

On a Sales turnover of Rs. 18091 Lakhs (Rs.23667 lakhs) including Export earning on FOB basis of Rs.1689 Lakhs (Rs.3240 Lakhs) and Other Income of Rs.331 Lakhs (Rs.435 Lakhs), the Gross Profit of the Company amounted to Rs.2285 lakhs (Rs.3803 Lakhs). After providing for Interest and Finance charges, Depreciation, Taxation and some adjustments, the Net loss amounted to Rs.532 Lakhs compared to Profit of Rs.1153 lakhs in the previous year.

The Company is continuously exploring the possibility of adding new value added speciality products to add to its product range and thereby reduce dependence on PAN. The Company's other products like Maleic Anhydride, Fumaric Acid, Malic Acid etc. continued to do well and continued positive contributions from these have largely resulted in lower losses.

EXPORTS :

The Company's exports during the year calculated on FOB basis amounted to Rs.1689 Lakhs (Rs.3240 Lakhs). Your Company's endeavour has been to promote exports. With diverse products in the Company's range and Company's export customers almost in all parts of the globe, barring unforeseen circumstances, your Company will aim to achieve higher exports.

CURRENT YEAR :

The coming months would remain very challenging and competitive. The Current Year will indeed be a testing period and hopefully, a rewarding one too. Your Company expects enhanced and continued contribution from MAN, Fumaric Acid, Malic Acid etc and combined with better and higher realizations from PAN, could bode well for the

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Company. During the three months ended June 2001, the Company's production and despatches amounted to 14779 MT and 13150 MT respectively.

Your Company continues to maintain its thrust on cost reduction. Continuous efforts are directed at maintaining best quality of products, optimization of operational activities and improve manpower productivity. With large global capacities for all products in its range, your Company is well placed to reap the benefits when the markets improve.

TPM ACTIVITIES :

Since about last 18 months, the TPM movement is being pursued in your Factory. This is resulting in visible improvement in various spheres of activity. The emphasis in TPM is participation of employees who are to continuously think and suggest ideas for solving existing problems and also for improvement of existing activities.

ISO 14001 :

During the current year, your Company received the ISO 14001 certificate, valid for 3 years. ISO 14001 is the Environmental Standards certificate and this was given by BVQI. Your Company gratefully acknowledges the grant of about Rs.4.62 Lakhs given by EXIM Bank for obtaining this certificate.

RESEARCH & DEVELOPMENT :

R&D is a continuous process. Your Company attaches great importance to R&D and due to its focus on R&D, the Company has been able to develop processes for the manufacture of high value-added speciality chemicals. Furthermore, new products are in different stages of development.

MALAYSIAN JOINT VENTURE :

It was indicated in the previous years Directors Report that the Malaysian Joint Venture (JV) had suffered a setback and efforts are on to revive the Company. Since end of last Calendar year, the fortunes of the JV have shown improvement. The losses posted by the JV during Year 2000 have fallen by about 27% from the previous year. Your Company hopes to reap the rewards from its investments in the JV soon.

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 judgements 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 instalments to the Financial Institutions and Banks are being made as per schedule. In fact, your Company prepaid 19.5% Privately placed Debentures subscribed by New India Assurance Co Ltd. The Company is also very regular in meeting its commitments to its depositors and debentureholders. Deposits aggregating Rs. 4.61 lakhs due for repayment on or before March 31, 2001 were not claimed by the depositors as on that date. Of these, deposits of Rs. 3.80 Lakhs have since been claimed.

STATEMENT PURSUANT TO LISTING AGREEMENTS :

The Company's shares and 12% Debentures are listed with Mumbai and Madras Stock Exchanges. Your Company has paid the respective annual listing fees up-to-date and there are no arrears.

CORPORATE GOVERNANCE :

Your Company is pleased to furnish the following information which is an attempt towards more disclosures that becomes compulsory from the next year.

- 1) The Board of Directors of your Company comprise of an Executive Chairman and Managing Director and Vice Chairman and Managing Director i.e. 2 Executive Directors and 7 Non Executive Directors.
- 2) Five meetings of the Board of Directors, Two meetings of the Committee of the Board of Directors and Nine meetings of the Share Transfer/Investors Grievance Committee of the Board were held during the year 2000-2001. All operational and statutorily required information were placed before the Board.

Thirumalai Chemicals Ltd.

- All significant events were also reported to the Board.
- 3) The Share Transfer / Investors Grievance Committee constitutes of the following members:
Mr. S. Sridhar
Mr. S. Santhanam
Mr. Dilip J. Thakkar
 - 4) During the year, the Audit Committee was reconstituted comprising of the following members:
Mr. Dilip J. Thakkar – Chairman
Mr. Y. Ramachandran
Mr. S. Santhanam.
As members may be aware Mr. Dilip J. Thakkar is an eminent Chartered Accountant, Mr. Y. Ramachandran is the nominee of LIC and Mr. S. Santhanam is a Non-Executive Director. To begin with, the Audit Committee had a preliminary glance of the Company's accounts before it was placed before the Board of Directors.
 - 5) The Company's internal Audit is done by a firm of Chartered Accountants. The reports submitted by the Internal Auditors on the operations and financial transactions and the Action Taken Report on the same are placed before the Board of Directors also, apart from the Statutory Auditors and the senior management of the Company.
 - 6) For every quarter, the Functional head of the Factory at Ranipet, Tamil Nadu and the Company Secretary and Finance Manager at Mumbai make report of Statutory compliances which are placed before the Board. At such meetings, the Managing Directors also confirm to the Board of all Statutory Compliances.

PERSONNEL :

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

DIRECTORS :

Mr. Y. Ramachandran was nominated as a Director by LIC in place of Mr. N.Lakshmanan. The Board wishes to

place on record the valuable services rendered by Mr. Lakshmanan during his association with the Company.

Dr. S. Rama Iyer and Mr. Dilip J. Thakkar retire by rotation at the Annual General Meeting and are eligible for reappointment.

AUDITORS :

Members are requested to appoint Auditors for the Current Year and fix their remuneration. The notes to the Accounts are self explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES :

No employee of the Company was in receipt of remuneration in excess of the limits under Section 217(2A) 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.

ACKNOWLEDGEMENT:

The Board acknowledges the support given by the Bankers, IDBI, EXIM Bank, its employees at all levels and the shareholders, depositors and debentureholders for their continued support.

By Order of the Board
FOR THIRUMALAI CHEMICALS LIMITED

Mumbai

July 26, 2001

S.SRIDHAR
CHAIRMAN & MANAGING DIRECTOR

Thirumalai Chemicals Ltd.

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 DIRECTOR'S REPORT.

I) CONSERVATION OF EVERGY ;

- 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

	UNIT	YEAR ENDING 31.03.2001	YEAR ENDING 31.03.2000
1] ELECTRICITY			
a] Purchased Units	KWHR	2,982,660	2,523,160
Total Amount Paid	Rs.	14,224,100	12,277,565
Rate/Unit	Rs.	4.77	4.87
b] Own Generation	KWHR	5,084,008	4,356,658
Unit/Litre of Diesel Oil	KWHR	3.07	2.83
Cost per Unit	Rs.	5.07	4.24
2] COAL : Not consumed in the process			
3] FURNACE OIL :			
Quantity	KL	6,790.47	9,419.415
Total amount	Rs.	63,480,643	69,866,840
Average Rate	Rs.	9,780.59	7,417.323
4] OTHER INTERNAL GENERATIONS		NIL	NIL
5] CONSUMPTION PER TONNE OF PRODUCTION			
a] Phthalic Anhydride			
Electricity	KWHR	27.94	3.15
Furnace Oil	LTR	64.09	80.15
Others (Diesel)	LTR	11.26	6.82
b] Maleic Anhydride			
Electricity	KWHR	94.75	9.65
Furnace Oil	LTR	178	176.15
Others (Diesel)	LTR	39.67	65.88
c] Food Acids			
Electricity	KWHR	306.59	360.80
Furnace Oil	LTR	715.03	688.26
Others (Diesel)	LTR	134.62	101.35

II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

RESEARCH AND DVELOPMENT

1. Specific areas in which R & D activities carried out by the company
 - a] Development of special Anhydrides.
 - b] Development of down stream products of Maleic Anhydride.
 - c] Development of fine Chemicals by Bio chemical route.
 - d] Yield improvement studies of food acid plants.
 - e] Effluent reduction and treatment..
2. Benefits derived as a result of above efforts.
 - a] Pilot plant production of special Anhydrides and downstream products.
 - b] Improvement of yields in the plants.
3. Future plan of action.
 - a] Development of new fine chemical products.
 - b] Implementation of process improvement to reduce effluents.
 - c] Reduce consumption of inputs per unit of production.

4. Capital expenditure on R & D (Rs)

a] Capital	Rs. 162.10 lacs	[Rs. 165.61 lakhs]
b] Recurring	Rs. 33.69 lacs	[Rs. 32.42 lakhs]
c] Total	Rs. 198.79 lacs	[Rs. 198.03 lakhs]
d] Total R & D expenditure as a % age of sales	1.08%	(0.82%)

5. Technology Absorption, Adaptation and Innovation;

- a] Efforts in brief towards absorption, adaptation and innovation. New technologies are being continuously developed for better products applications and better quality.
- b] Benefits derived as result of the efforts;

Reduction in cost of production per unit and reduction of total effluents discharge.
- c] Particulars of technology import during the last 5 years.

- None.

III) FOREIGN EXCHANGE EARNING AND OUTGO:

- a] Export marketing activities would be strengthened with a view to increase exports.
- b] The Company's export earning calculated during the year on F.O.B. basis is Rs. 1689 lakhs as against Rs. 3240 lakhs in the previous year.