

34th Annual Report **2006 - 2007**

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**Thirumalai
Chemicals Ltd.**

BOARD OF DIRECTORS :

Shri. S. Sridhar (Chairman & Managing Director)
 Shri. R. Parthasarathy (Vice Chairman & Managing Director)
 Shri. S. Santhanam
 Shri. R. Sundararajan
 Dr. S. Rama Iyer
 Shri. Dilip J. Thakkar
 Shri. U. Sundararajan
 Shri. Atul Agarwal
 Shri. Pradeep Rathi
 Shri. K. V. Krishnamurthy

COMPANY SECRETARY :

Shri. S. Madhavan

BANKERS :

Andhra Bank
 Bank of India
 Oriental Bank of Commerce
 State Bank of India
 The Dhanalakshmi Bank Ltd
 UTI Bank Ltd.

AUDITORS :

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

REGISTRAR & SHARE TRANSFER AGENTS :

Intime Spectrum Registry Limited
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W),
 Mumbai - 400 078.
 Tel. : 2596 3838
 Fax : 2594 6969
 E-mail : isrl@intimespectrum.com

REGISTERED OFFICE :

Thirumalai House, Road No.29,
 Near Sion Hill Fort, Sion (E), Mumbai - 400 022.
 Tel. : 2401 7841, 7834, 7853, 7861
 Fax : 2401 1699 / 2401 4754
 E-mail : thirumalai@thiruchem.com

FACTORY :

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

**34TH ANNUAL
GENERAL MEETING****DATE :**

Monday, July 16, 2007
 at 4.00 p.m.

VENUE :

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

DIVIDEND.:

90%

DIVIDEND ELIGIBILITY :

For : Regd. Member
 Physical Shares : As on July 16, 2007
 Demat Shares : As at the close of Business
 hours on July 02, 2007
 as per the list of
 beneficial ownership
 furnished by the
 Depositories.

BOOK CLOSURE :

July 03, 2007 to July 16, 2007

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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 FOURTH 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, July 16, 2007 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, 2007 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.Atul Agarwal, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. R.Sundararajan , who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr.S.Santhanam , who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors for the current year and fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT Mr. K.V.Krishnamurthy, who was appointed as an Additional Director of the Company with effect from 29th January 2007 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 modifications, the following resolution as an Ordinary Resolution

"RESOLVED THAT consent of the Company be and is hereby accorded under section 293[1][d] and all other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to borrow such sum or sums of monies in any manner from time to time as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit, notwithstanding that monies to be borrowed together with monies already borrowed by the Company [apart from temporary loans obtained from Company's Bankers in the ordinary course of business] may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 1,000 Crores [Rupees One Thousand Crores]".

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

RESOLVED THAT consent of the company be and is hereby accorded under Section 293[1][a] and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for creation of security in such manner and form over the assets of one or more undertakings of the Company, both present and future to or in favour of the Financial Institutions, Banks, Trustees for the Debenture holders, and/or others for an aggregate nominal value not exceeding Rs. 1000 crores [Rupees One Thousand Crores] to secure the present and future Term Loans, Debentures and all other types of loans and/or indebtedness together with interest, costs, charges, expenses and other monies including premium payable for any of the above in terms of the Agreement[s] entered into/to be entered into between the Company and the Financial Institutions, Banks and/or others, such security to rank pari passu with, or second or subservient to, the mortgages and/or charges already created or to be created by the Company or in such manner as may be agreed to between the concerned parties and the Board of Directors of the Company".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to finalise relevant terms and conditions and execute the documents, papers and writings for creating the aforesaid mortgages and/or charges and to execute and perform all such acts, deeds and things as may be necessary or expedient for implementing this resolution".

10. 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, and subject to the approval of the Central Government, if required, 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, presently holding an office of Profit as Marketing Executive-and drawing remuneration as approved by the Shareholders at their meeting held on August 29,2005, to continue to hold the office of Profit on revised designation as Marketing Manager and he be paid revised remuneration upto the following limits with effect from 1st April 2007 as under:

- a) Basic Salary of Rs. 40,250 per month (with normal annual increments as per Company's Rules).
- b) House Rent Allowance per month -@ 30% of Basic Salary.
- c) Leave Travel Assistance (per annum) - @8.33% of Basic Salary
- d) Medical Reimbursement (per annum)-@8.33% of Basic Salary.
- e) Payment of Conveyance allowance, Children Education Allowance, any other allowance/s, Bonus, Ex-gratia payment, Mediclaim Insurance for self and Family etc as per the Rules of the Company not exceeding in aggregate Rs.2 Lacs per annum
- 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.

Thirumalai Chemicals Ltd.

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

'RESOLVED, in modification of Resolution passed at the Annual General Meeting held on August 29, 2005, that pursuant to Sections 198,269,309, Schedule XIII and other applicable provisions, if any of the Companies Act,1956, the Company hereby accords its approval to the appointment of Mr S.Sridhar as Chairman and Managing Director of the Company for a fresh period of five years from August 1,2007 on the terms and conditions as set out in the draft letter of appointment submitted to the meeting and for identification initialled by the Chairman of the Company and Mr.S.Sridhar may be paid the following remuneration:

- i) Salary per month Rs.3 Lakhs (with Annual increments of Rs.1 Lakh in April of each year)
- ii) Commission of 3% of net profits of the Company as computed under Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT :

- a) In addition to the above remuneration, Mr.S.Sridhar shall be entitled to perquisites like HRA/unfurnished/ furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, medical insurance for self and family, telephone etc , such perquisites being restricted to Rs 24 lakhs per annum in the first year ended March 2008, with annual increase of Rs.6 Lakhs every year in the scale/range of Rs.24 Lakhs-Rs.6 Lakhs-Rs.48 Lakhs.
- b) Company's contribution to Provident fund and Superannuation Fund or payments made in lieu of such contributions, Gratuity payment and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Mr.S.Sridhar shall be entitled to the same.

RESOLVED further that in the event of absence or inadequacy of profits in any financial year, the Company do pay to Mr.S.Sridhar upto such amount as remuneration as may be permissible under Section II of Part II to Schedule XIII to the Companies Act,1956 as minimum remuneration.

- 12) To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED, in modification of Resolution passed at the Annual General Meeting held on August 29, 2005, that pursuant to Sections 198,269,309,Schedule XIII and other applicable provisions, if any of the Companies Act,1956, the Company hereby accords its approval to the appointment of Mr R.Parthasarathy as Vice- Chairman and Managing Director of the Company for a fresh period of five years from August 1,2007 on the terms and conditions as set out in the draft letter of appointment submitted to the meeting and for identification initialled by the Chairman of the Company and Mr.R.Parthasarathy may be paid the following remuneration:

- i) Salary per month Rs.3 Lakhs (with Annual increments of Rs.1 Lakh in April of each year)
- ii) Commission of 3% of net profits of the Company as computed under Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT :

- a) In addition to the above remuneration, Mr.R.Parthasarathy shall be entitled to perquisites like HRA/unfurnished/ furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, medical insurance for self and family, telephone etc , such perquisites being restricted to Rs 24 lakhs per annum in the first year ended March 2008, with annual increase of Rs.6 Lakhs every year in the scale/range of Rs.24 Lakhs-Rs.6 Lakhs-Rs.48 Lakhs.
- b) Company's contribution to Provident fund and Superannuation Fund or payments made in lieu of such contributions, Gratuity payment and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Mr.R.Parthasarathy shall be entitled to the same.

RESOLVED further that in the event of absence or inadequacy of profits in any financial year, the Company do pay to Mr.R.Parthasarathy upto such amount as remuneration as may be permissible under Section II of Part II to Schedule XIII to the Companies Act ,1956 as minimum remuneration.

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

"RESOLVED THAT in accordance with the provisions of Section 198,309(4) and all other applicable provisions of the Companies Act, 1956 or any statutory modification (s) or re-enactment thereof, the Articles of Association of the Company and subject to all applicable approval(s) as may be required, the consent of the Company be and is hereby accorded to the payment of Commission for a period of five years commencing from 1st April 2007, to the Non-Executive Directors of the Company as may be decided by the Board from time to time provided that the total commission payable to the Non-Executive Directors per annum shall not exceed one percent of the net profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956, with authority to the Board to determine the manner and proportion in which the amount be distributed among the Non-Executive Directors."

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

S. MADHAVAN
SECRETARY

Registered Office:
Thirumalai House
Road No.29,
Sion-East,
Mumbai - 400 022.
May 22, 2007.

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 3, 2007 to Monday, July 16, 2007 (both days inclusive) for determining the names of members eligible for dividend, if approved. In respect of shares held in Electronic form, the dividend will be paid to those shareholders whose names appear at the close of Business hours on Monday, July 2, 2007 as Beneficial owners on the basis of particulars of beneficial ownership furnished by the depositories for the purpose.
- d) The Company wishes to offer the Facility of Electronic credit of Dividend directly to the respective bank accounts of our Shareholders. This facility called ECS, is presently available at select RBI locations like, Ahmedabad, Bangalore, Chennai, Hyderabad, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, New Delhi etc. Shareholders in locations where ECS facility is available are requested to send the ECS mandate form appearing on the last page of this Report, duly filled and signed, and return immediately to their Depository Participant [in case of shares in Demat segment] and to the Company's Registrar, viz. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai - 400 078 -Tel. No: 25963838, Fax No. 25946969, E-mail: isrl@intimespectrum.com (in case of shares in physical segment.)
- e) Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
- f) Reappointment of retiring Directors:
Mr.Atul Agarwal, Mr.R.Sundararajan and Mr.S.Santhanam, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.
Mr.Atul Agarwal, 48 years was appointed as Director of the Company effective from 28th October, 2003. Mr.Atul Agarwal holds office as a Director upto the date of Annual General Meeting. Mr.Atul Agarwal is a qualified Chartered Accountant and is the Joint Managing Director of Mercator Lines Ltd as also Chairman and Director of Mercator Healthcare Ltd. He is also the Director of Indian National Shipowners Association as also the Proprietor of A.J.Agarwal & Company-Chartered Accountants. Mr.Agarwal has a strong expertise in Financial and Strategic Planning and Execution. He has also been accredited with membership of various Committees formed by the Government for Shipping reforms. He holds 15000 shares in the Company representing 0.15% of the Company's paid up Share capital.
Mr.R.Sundararajan, 62 years has been a Director of the Company since 9th August 1990. Mr.Sundararajan is a Mechanical Engineer and a reputed Businessman and Industrialist in Chennai with vast experience and knowledge. He is the Managing Director of Shri Balaji Moulds P. Ltd. He holds 32589 shares in the Company representing 0.32% of the Company's paid up Share capital.
Mr.S.Santhanam, 67 years, has been a Director of the Company from November 22, 1991. He has over 35 years experience in diverse matters concerning implementation of Projects, marketing of Pigments, Detergents, Chemicals etc. He contributes to Charitable activities and is active in advancing the cause of education. He holds 244928 Shares representing 2.39% of the Company's paid up Share capital.
- g) Members are requested to notify their Depository Participant(DP) / Company's Registrars viz: Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai-400 078. (Tel.Nos. 25963838, Fax No.25946969, Email-isrl@intimespectrum.com) immediately about change of address, if any, and also write to them immediately about corrections, if any, in name, address and pincode.
- h) 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.
- i) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all dividends from the Final dividend for the financial year ended 31/3/1996, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Likewise, Debentures/Fixed Deposits repayment warrants/interest warrants which remain unclaimed/unpaid for a period of 7 years from the dates they first became due for payment also need to be transferred to the Investor Education and Protection Fund.
Accordingly, amounts have been transferred to the Investor Education and Protection Fund from time to time. All persons are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.
Persons who have not encashed their Debenture/Fixed Deposits repayment/interest warrants/dividend warrants are requested to approach the Company for obtaining the duplicate warrants before the balance in the respective account gets transferred to the Investor Education and Protection Fund.
- j) 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**.
- k) 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's Registrars.
- l) Shareholders are requested to bring their copy of Annual Report to the meeting.

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

S. MADHAVAN
SECRETARY

Registered Office:
Thirumalai House
Road No.29,
Sion-East,
Mumbai - 400 022.
May 22, 2007.



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

ITEM. No.7

Mr.K.V. Krishnamurthy was appointed as Additional Director of the Company effective from 29th January 2007 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr.Krishnamurthy, 64 Years, 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. Krishnamurthy as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr.Krishnamurthy is a Fellow member of the Institute of Chartered Accountants of India and the Indian Institute of Bankers. He has over 33 years experience in the Banking Industry and has served at various important positions over his illustrious career like CMD- Bank of India, CMD-Syndicate Bank, Executive Director-Bank of Baroda, Managing Director-Indo Hong Kong International Finance Company Ltd.

Mr.Krishnamurthy is presently the Director in Sundaram BNP Paribas Trustee Company Ltd, RAP Media Ltd, Centrum Capital Ltd, Centrum Direct Ltd, Essel Propack Ltd, Balan Natural Food P.Ltd, Ratnakar Bank Ltd, Asset Reconstruction Company (India) Ltd, Borosil Glass Works Ltd, and Essar Steels Ltd.

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.K.V.Krishnamurthy is concerned or interested in the resolution.

ITEM NO.8

Under Section 293[1][d] of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the shareholders, borrow in excess of the aggregate of the paid-up share capital and free reserves of the Company. Presently the Board of Directors is authorized to borrow upto Rs. 300 crores vide shareholder's Resolution passed in the A.G.M. held on 18th August, 1997. Keeping in view the present and future needs of the Company for finance and to provide for the additional funds as and when required, and having regard to the likely increase in the Company's business, it is proposed to increase the present limit to Rs. 1000 crores.

The Resolution is commended for your approval.

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

ITEM NO. 9

The Shareholders had at their meeting held on 18th August, 1997 approved creation of mortgage / charge etc in favour of Lenders, Creditors, Banks etc for a sum upto Rs. 300 Crores.

Your Company proposes to augment production capacities and accordingly your Company will be availing itself of term loans/ECBs/ other loans etc from Financial Institutions, Banks and others. The credit facilities may be required to be secured by mortgage/charge on the assets of one or more of the undertaking[s] of the Company with power in favour of the said creditors and/or agents and trustees for securing the borrowings.

Since mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the Financial Institutions, Banks, Trustees and/or other may be regarded as disposal of one or more of the whole or substantially the whole of the Company's undertaking[s], it is necessary for the members to pass a Resolution under Section 293 [1][a] of the Companies Act, 1956 for the creation of the said mortgages/charges in line with the Borrowing Powers envisaged for a sum of upto Rs. 1000 crores.

The proposed resolution is to be passed through Postal Ballot for which necessary details are enclosed herewith. Resolution is commended for your approval.

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

ITEM NO.10.

Under the provisions of Section 314 of the Companies Act, 1956, prior approval of the shareholders by way of special resolution as also Central Government approval is required for appointment of relative of Director to an office or place of profit carrying monthly remuneration in excess of Rs.50,000.

It is proposed to appoint Mr.S.V.Rajan, 35 years , B.Com, MBA (Marketing) as Manager- Marketing . Mr.Rajan is the son of Mr.S.Santhanam, the Director of the Company.

Mr. Rajan has over 12 years of experience in various capacities presently working as Marketing Executive. During his stint as Marketing Executive, he has handled different products as also handled different responsibilities. Mr.Rajan also has experience in marketing the products of the Company's Chemidye Division.

Mr.Rajan is target driven and has achieved significant growth for his business. He has varied experience in diverse areas such as developing new markets, business and dealer development, credit monitoring, credit appraisal, achieving profitability of business, etc.

Mr.Rajan had earlier worked in the Company's factory at Ranipet, Tamil Nadu . In this assignment, he gained valuable experience and expertise in diverse aspects of Plant operations, optimization, Procurement, servicing, Energy savings, studying customer profile etc.

The appointment of Mr.Rajan as Marketing Manager and payment of remuneration were approved by the Selection Committee of the Board of Directors at their meeting held on 22nd May, 2007. The Selection Committee comprised of majority of Independent Directors as also an expert. Before referring the proposed appointment to the Selection Committee, the Company's HR department had perused the resume of Mr.Rajan as also interviewed him thoroughly to ascertain his suitability. After the HR head recommended the proposed appointment, Mr.Santhanaraman, an Expert on Corporate issues and HR/IT adviser to several clients interviewed him and gave the go-ahead to appoint Mr.Rajan as Marketing Manager and pay him the proposed remuneration.

The Selection Committee as also HR head and the Expert noted that Mr.Rajan was young, qualified, energetic, dynamic, reliable and result oriented with wide experience in diverse areas including business development, marketing, achieving growth targets etc and has vast knowledge. Therefore, Mr.Rajan was most suited for the position . Hence, the Selection Committee strongly recommended the



appointment of Mr.Rajan as Marketing manager of the Company and pay him the remuneration proposed as required under Director's Relatives (Office or Place of Profit) Rules, 2003.

The details of remuneration to be drawn by Mr.S.V.Rajan is given in the resolution. The Board of Directors recommend the special resolution at item No.10 for your approval.

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

ITEM NO. 11 & 12

Mr. S.Sridhar and Mr.R.Parthasarathy were appointed as Chairman & Managing Director and Vice-Chairman and Managing Director of the Company respectively for a period of five Years effective August 1, 2005 as per the terms and conditions approved by the Shareholders at the Annual General Meeting held on August 29, 2005.

Mr. S.Sridhar and Mr.R.Parthasarathy have been associated with the Company for about 32 Years. Mr. S.Sridhar, the present Chairman & Managing Director is a Science Graduate and a Chartered Accountant while Mr.R.Parthasarathy is B.Tech., M.S., Wisconsin, USA. Both have over 32 years of experience in the Petrochemical Industry. Under their able stewardship, the Company has been able to grow the business, overcome lean phases in last few years and emerge stronger. Also, the Company has successfully commissioned several new projects. The Company has made significant progress under the Managing Directorships of Mr.S.Sridhar and Mr.R.Parthasarathy.

In the last ten years or so, with both Mr.S.Sridhar and Mr.R.Parthasarathy at the helm of affairs as Chairman and Managing Director and Vice-Chairman and Managing Director respectively, the Company's sales have increased from Rs. 146 Crs in 1997-1998 to Rs. 617 Crs in 2007-2008 with Net Profits increasing from Rs.11.32 Crs to Rs.25.80 Crs respectively.

As per the Corporate Governance requirement and followed by the Company, the Audit and Remuneration Committee of the Board of Directors comprising of Independent Directors had recommended the re-appointment of Mr.S.Sridhar as Chairman and Managing Director and Mr.R.Parthasarathy as Vice-Chairman and Managing Director for a fresh period of 5 years with effect from August 1, 2007 and pay them the remuneration as is proposed in the resolution.

The Managing Directors shall report to the Board of Directors and shall devote whole time and attention to the business of the Company. They shall perform such of the functions as may from time to time be entrusted to them by the Board. All their acts shall be subject to the supervision and control of the Board of Directors. During their term as Managing Directors with the Company, they shall not be employed as Managing Director /Wholtime Director in any other Company. The Managing Directors shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The Board is of the opinion that the reappointment of Mr. S.Sridhar as Chairman & Managing Director and of Mr. R.Parthasarathy as Vice-Chairman & Managing Director for a fresh period of 5 years effective August 1, 2007 and the payment of remuneration as stated in the resolution would be in the interest of the Company. The draft letters of appointment referred in the resolution are open for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on any working day until the day of Annual General Meeting or any adjournment thereof.

Mr. S.Sridhar is a relative of Mr. S. Santhanam, Director of the Company, who may be deemed to be interested in the resolution relating to the reappointment of Mr. S.Sridhar as Chairman & Managing Director. None of the other Directors of the Company except Mr. S.Sridhar and Mr. R.Parthasarathy are in any way concerned or interested in the resolutions.

This explanatory statement together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board commends the Resolutions at items 11 and 12 of the Notice for acceptance by the members.

ITEM. No. 13

The size of the Company has grown over the years. The Management of the Company is committed to ensure future continued growth. Consequently, time devoted and contribution made by the Directors of the Company including Non-Executive Directors have increased.

In order to bring the remuneration of Non-Executive Directors commensurate with the increased time and effort put in by them, the Board of Directors of the Company at its meeting held on May 22, 2007, subject to the approval of the Members of the Company and other applicable statutory approvals, approved payment of Commission to the Non-Executive Directors annually in such proportion as may be decided by the Board of Directors, for a period of 5 (five) years from Financial year beginning April 1, 2007 provided that the Total Commission payable to the Non-Executive Directors shall not exceed 1% of the Net Profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956. Payment of such commission will be in addition to the sitting fees for attending of the Board/Committee meetings.

All Directors other than the Managing Directors may be deemed to be concerned or interested in the Resolution set out at item no.13 of the Notice.

The Board commends the Resolution set out at item No.13 of the Notice for your approval.

By the Order of the Board
For THIRUMALAI CHEMICALS LIMITED

S. MADHAVAN
SECRETARY

Registered Office:
Thirumalai House
Road No.29,
Sion-East,
Mumbai - 400 022.
May 22, 2007



DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To
The Members,
Thirumalai Chemicals Ltd.

Your Directors present their THIRTY FOURTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31,2007.

	Rs. (in Lakhs)	
FINANCIAL RESULTS	Year ended 31/3/2007	Year ended 31/3/2006
Sales	61,245	41,815
Other Income	483	387
	61,728	42,202
Gross Profit before Interest and Finance Charges and Depreciation	5,964	4,009
Interest and Finance charges	1,019	884
Profit before Depreciation and Tax	4,945	3,125
Depreciation	1,090	1,124
Profit before Tax	3,855	2,001
Provision for Current Tax	1,458	596
Profit after Current Tax	2,396	1,405
Provision for Deferred Tax	(185)	(42)
Prior Year Adjustment	50	(7)
Profit after Tax	2,531	1,453
Balance in Profit & Loss Account	2,347	1,775
Transfer on Amalgamation	—	27
Profit available for appropriation	4,878	3,256
APPROPRIATIONS.		
Dividend	921	666
Tax on Dividend	157	93
General Reserve	300	150
Balance carried forward	3,500	2,347
	4,878	3,256

On a Sales turnover of Rs. 61,245 Lakhs (Rs.41,815 Lakhs) with Export Turnover at Rs. 12,539 Lakhs including Export earning on FOB basis of Rs. 8,524 Lakhs (Rs. 3,322 Lakhs) and Other Income of Rs. 483 Lakhs (Rs. 387 Lakhs), the Gross Profit of the Company amounted to Rs. 5,964 Lakhs (Rs.4,009 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 2,531 Lakhs compared to Rs.1,453 Lakhs in the previous year.

Dividend:

Your Directors are pleased to recommend payment of Dividend @ 90 % ,

The total cash outflow on account of this dividend payment including distribution tax will be Rs.1078. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around 20th July 2007.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

Mission and Business Strategy:

The Company's business model envisages building a strong business around its core strengths in technology, marketing and manufacturing. The Company has world scale plants for manufacturing diverse products

including Phthalic Anhydride (PAN), Maleic Anhydride (MAN), Fumaric Acid, Food Acids etc as also decent capacities to manufacture other value added products which have been added to the Company's product profile.

Industry Developments:

PAN, the Company's main product is witnessing strong growth, domestic as also overseas.

Plasticizers, Pigments and Resins have been the major sectors consuming PAN with Plasticizers segment forming more than 50%. However, since last few years, it is the Pigments sector which is driving growth of PAN in India to a very large extent and has already overtaken Plasticizer segment in terms of consumption of PAN. The Resins sector too is posting good growth. Unfortunately, there is stagnation in the Plasticizers segment.

With steep growth of the Pigments market and good growth of the Resins market, the demand for PAN, which is the Company's main product, is increasing rapidly. With no major additional capacities of PAN in the offing world over, and huge growth in demand of PAN, the situation that existed until few years back of excess capacity of PAN is a thing of the past. With reforms / infrastructure development, the demand for these products is expected to grow manifold in the coming years.

Major Global Pigment manufacturing is now in India. Our Country is perhaps the largest manufacturer of Pigments. Many of our Pigment manufacturers have upped their Productive capacity and have also made massive expansion plans. While the domestic Pigment demand continues to grow, the Export market for Pigments has not only gone up but is also highly rewarding. Few manufacturers of Pigments have converted into EOU's while others have increased their capacities or in the process of doing so.

The Resins sector, which is replacing steel in some segments, too is posting decent growth. With increase in consumption of Steel, Cement and emphasis on Housing, and all round economic growth, the Resins sector is also witnessing good growth. Consequently, the demand for PAN from this sector continues to rise.

Plasticizers market, which have been traditionally a major market for PAN has been erratic largely due to unpredictability about availability of another key raw material Oxo Alcohol. Also, due to import of Plasticizers, the capacity utilization in the Domestic Plasticizer Industry has been hitherto quite low.

For several years until middle of this year, your Company was operating MAN capacity fully and catering to not just domestic demand but also export which was quite remunerative. However, rampant dumping of MAN into the Country from China during the year adversely affected Company's plans to operate MAN plant fully. Imports of MAN from China were coming at prices which were lower than the prices of Benzene from which MAN is manufactured. Hence, for some time, the MAN plant was shut down and was only operated to cater to the demand of its regular and loyal customers as also to meet captive consumption requirements for manufacture of other value added products.

To arrest such unscrupulous imports of MAN, your Company has initiated action for levy of Anti Dumping Duty on import of MAN into our Country from China. The Company is hopeful that with the imminent possibility of an ADD levy soon, dumping of MAN into our Country would cease. Thereby, Company would be able to operate its MAN plant also fully and continuously with decent contribution.

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. While since beginning of the year, oil prices continued to rise, during the 3rd quarter of the current year, the Company's fortunes suffered due to the falling Oil prices. Subsequently, the prices have remained steady with sporadic firmness being witnessed at times.

Year of Records:

During the year, the Company achieved several records:

Record Sales	Rs. 61,245 Lakhs
Record PAN Capacity Utilisation	74.86 %
Record Production	MTS. 95,400
Record Exports	Rs. 12,539 Lakhs
Record Profits	Rs. 2,531 Lakhs
Record Dividend Outgo.(Including Tax)	Rs. 1,078 Lakhs

Barring unforeseen circumstances, the Company is hopeful of creating more records.

Financial and Operating performance:

Your Company could achieve record sales thanks largely due to higher utilization of capacities. This was possible despite frequent shutting down of MAN plant during the year. During the year 2006 -2007, the Company earned Net Profits after Tax of Rs.25.31 Crores. The overall financial performance during the year 2006 – 2007, although better than the previous year, could have been still higher as it is still much below Company's true potential and Capacities.

Periodic reviews are made of the effectiveness of the internal control system. The internal control systems are considered adequate and sought to be continuously improved. Industrial relations remained cordial.

Contribution to Exchequer:

The amounts paid to the Central and State Exchequer by way of Excise Duty, Sales Tax, Customs duties (incl. paid to supplier), Income Tax, FBT, etc was about Rs 115 Crores. This is the contribution on Net Sales of about Rs 543 Crores. That is, over 21 % of Company's Sales are contributions to the Exchequer and with increasing Sales and Profits, this contribution can only be expected to increase.

Research and Development:

The Company's in-house Research and Development facility for process development of Fine Chemicals and Speciality Chemicals is approved under Section 35 (2AB) of the Income Tax, 1961. The Company is continuously working on few products which are in various stages of development and testing.

Opportunities and Threats:

Demand for PAN is on the increase, particularly in the domestic markets due to the strong growth posted by the Pigment and Resins sector. The Company will soon achieve full capacity utilization in the coming periods. Company's export which has increased steeply to record levels could get a further push in view of increased prospects for exports of most of Company's products. The Company is actively pursuing to develop increased applications for other value added products manufactured by the Company. Stability in prices of Benzene to normal levels as also levy of ADD on dumping of MAN, could translate into higher utilization of capacities of MAN and Food Acids plant.

Volatility in prices of Raw Materials as also the end products could be factors impacting PAN/MAN manufacture. Developments like the Plasticizer segment importing Plasticizers themselves instead of manufacturing it can be impediment to PAN growth. Indiscriminate imports of MAN could impact MAN Plant operations. High Benzene prices could be a dampener for running the Food Acids Plant to optimum capacity.

Risks and Concerns:

Lower margins, high raw material prices, surplus and idle capacities, availability of substitutes, dumping, indiscriminate imports, Foreign Exchange fluctuations, duty changes etc are some factors which could impact adversely.

Also, dumping of MAN, as also imports of PAN coming into our Country at very low numbers, although unlikely, is a matter of concern.

Current year:

Ever since last year, when the Company has changed its marketing strategy for PAN by which customers are offered contracts for regular supply on pre determined Formula basis, your Company has been able to operate at higher levels. Due to this, while significant part of production is tied up, the balance of output is only available for offer on spot basis as also for Exports. While this has helped in driving volumes with respectable margins, Customers have been benefiting in terms of regularity of supplies at reasonable prices. The response from the Contract customers has been quite encouraging.

The Company will constantly keep devising new ways and means to operate all its Plants fully and optimally.

Your Company is hopeful of achieving higher Plant utilization compared to previous years, which would result in economies of scale, better working capital management and competitive advantage apart from contributing to the Company's bottom line etc. All the major Plants are running fully. The Company's endeavour will be to work all Plants fully at all times.

Outlook:

In view of increasing PAN demand, firm Raw Material prices, supply constraint, etc, trend is towards firmness in prices of PAN at current levels with upward bias which would result in higher and higher capacity utilization so much so that the existing PAN capacity may prove to be inadequate.

As per News Reports, substantial capacity for manufacture of Oxo Alcohol in our Country is expected to be coming up around 2008/2009. This should bode well for the Plasticizer Industry, who will be better placed to operate at higher levels, which would translate into higher demand for PAN.

As stated before, in the coming days, one could see shortage of PAN. Hence, to be with the times, Company has chalked out plans to increase Productive capacity with little de-bottlenecking of existing PAN Plant. Also, with some Capital Expenditure, the Company's PAN capacity is proposed to be increased by about 40% soon which will enable the Company to cater to the increasing demand.

Your Company will continue to grow the markets for its value added Products like Food Acids, Fumaric Acid, Phthalate Esters etc as they are quite remunerative and expected to contribute more and more in the coming years. By and large, the demand for most of Company's products continues to rise particularly in the Export market and it will be the Company's endeavours to grow all business. Your Company remains optimistic about the bright future lying ahead for the Company. It will endeavour to grow its leadership by building on its strengths for competitive advantage.

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.

Thirumalai Chemicals Ltd.

EXPORTS:

The Company's exports almost tripled during the year. Calculated on FOB basis, Exports amounted to Rs. 8,524 Lakhs (Rs. 3,322 Lakhs), while **Total Exports** including Deemed Exports amounted to **Rs 12,539 Lakhs**. The Company has been accorded the status of 'One Star Export House' which is a recognition of the Company's export endeavours. Your Company looks at increased focus on exports to achieve higher exports year after year.

MALAYSIAN JOINT VENTURE:

As members will know, to put the Company's Joint venture (JV) TCL Industries (Malaysia) SDN BHD back on the profitability track, the JV had undertaken feed stock conversion from Benzene to Butane incurring major Capital expenditure. Members will be pleased to know that the process for change of feedstock from Benzene to Butane is proceeding satisfactorily and the new Plant for manufacture of MAN from Butane is expected to be ready in /around July 2007 and will commence production immediately thereafter. The JV should be able to earn cash profits from the very first full year of operations and also wipe out accumulated losses sooner than expected. Your Company remains confident that the reward on its investments in the JV will also be realized soon.

Chemidye Division:

Consequent to the Hon'ble Bombay High Court order, which order was received on 5th April 2006, Chemidye Manufacturing Pvt. Ltd got amalgamated with the Company with effect from 1.4.2005.

Chemidye which had manufacturing capabilities, R&D facilities, technology and manpower as also an EOU which helps in pushing Exports and earn valuable Foreign Exchange is also contributing to both the top line and bottom line of the Company.

DIRECTORS RESPONSIBILITY STATEMENT:

As required pursuant to the Companies (Amendment) Act, 2000, the Board of Directors confirm that:

- i] In the preparation of the annual accounts, the applicable accounting 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 instalments to the Financial Institutions and Banks are being made as per schedule. The Company is also very regular in meeting its commitments to its depositors. Deposits aggregating Rs. 14.26 Lakhs due for repayment on or before March 31, 2007 were not claimed by the depositors as on that date.

STATEMENT PURSUANT TO LISTING AGREEMENTS:

The Company's shares are listed with The National Stock Exchange and

The Mumbai Stock Exchange Your Company has paid the respective annual listing fees up-to-date and there are no arrears.

REPORT ON CORPORATE GOVERNANCE:

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

PERSONNEL:

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

DIRECTORS:

Mr.Atul Agarwal, Mr.R.Sundararajan and Mr.S.Santhanam retire by rotation at the Annual General Meeting and are eligible for reappointment.

Mr.K.V.Krishnamurthy joined the Company's Board with effect from 29th January 2007. It is proposed to reappoint him as Director liable to retire by rotation at the ensuing AGM.

Mr.S.Sridhar and Mr.R.Parthasarathy were appointed as Chairman and Managing Director and Vice-Chairman and Managing Director respectively for a period of five years with effect from August 1, 2005 on terms as approved by the Shareholders at the Annual General Meeting held on August 29, 2005. It is proposed to reappoint Mr.S.Sridhar and Mr.R.Parthasarathy as Chairman and Managing Director and Vice-Chairman and Managing Director respectively for fresh period of five years with effect from August 1, 2007 on terms and conditions as proposed in the Notice convening the ensuing Annual General Meeting.

The Board commends the aforesaid appointments.

Mr.Cyril Shroff resigned as Director with effect from 25th April 2007. The Directors wish to place on record the valuable services rendered by Mr.Cyril Shroff during his tenure as Director.

AUDITORS:

M/s. Contractor, Nayak and Kishnadwala, Chartered Accountants, The Statutory Auditors of the Company hold office until the conclusion of the ensuing AGM. The notice convening the AGM is self explanatory. Members are requested to re-appoint M/s. Contractor, Nayak and Kishnadwala as Auditors for the Current Year.

PARTICULARS OF EMPLOYEES:

The details of employees of the Company in receipt of remuneration in excess of the limits under Section 217(2A) of the Companies Act, 1956 is given in Annexure 1.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars required to be included in terms of Section 217 (1)(e) of the Companies Act, 1956 with regard to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure- 2.

ACKNOWLEDGEMENT:

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

By Order of the Board
For THIRUMALAI CHEMICALS LIMITED

S. SRIDHAR
CHAIRMAN & MANAGING DIRECTOR