

**35<sup>th</sup> Annual Report**  
**2007 - 2008**

**BOARD OF DIRECTORS :**

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

**COMPANY SECRETARY :**

Shri. Narendra Rahalkar

**BANKERS :**

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

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

**35<sup>TH</sup> ANNUAL  
 GENERAL MEETING**
**DATE :**

Monday, July 21, 2008  
 at 4.00 p.m.

**VENUE :**

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

**DIVIDEND :**

100%

**DIVIDEND ELIGIBILITY :**

For : Regd. Member  
 Physical Shares : As on July 21, 2008  
 Demat Shares : As at the close of Business  
 hours on July 7, 2008, as  
 per the list of beneficial  
 ownership furnished by the  
 Depositories.

**BOOK CLOSURE :**

July 8, 2008 to July 21, 2008  
 (both days inclusive)

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**NOTICE**

NOTICE is hereby given that the **THIRTY FIFTH 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 21, 2008 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, 2008 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. Pradeep Rathi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S. Rama Iyer, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Dilip J Thakkar, 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. A. Janakiraman, who was appointed as an Additional Director of the Company with effect from October 29, 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 Mr. P. Shankar, who was appointed as an Additional Director of the Company with effect from October 29, 2007 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company.

By the Order of the Board  
For **Thirumalai Chemicals Limited**

**Narendra Rahalkar**  
Company Secretary

**Registered Office:**

Thirumalai House  
Road No.29, Sion-East,  
Mumbai - 400 022  
June 02, 2008.

**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 08, 2008 to Monday, July 21, 2008 (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 07, 2008 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](mailto: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. Pradeep Rathi, 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.

Mr. Pradeep Rathi, 55 years a reputed Businessman with vast knowledge and experience in the Chemicals Industry, is the Director of Sudarshan Chemical Industries Ltd., as also other Public Companies like Mantra Finance Ltd, Rathi Brothers Poona Ltd, Rathi Brothers Calcutta Ltd, Rathi Brothers Madras Ltd, Rathi Brothers Delhi Ltd, Reico Industries Ltd, Lahoti Overseas Ltd Mr. Rathi, is an active participant in various Trade and Industry associations' activities and meetings. Mr. Rathi has been the Director of the Company since May 04, 2004. He does not hold any shares of the Company.

Dr. S. Rama Iyer, 68 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 recently retired as the Executive Chairman of Aker Kvaerner Powergas Ltd as also he is a Director in public companies like Larsen & Toubro Infotech Ltd, Gujarat Fluorochemicals Ltd, Deepak Fertilizers & Petrochemicals Corporation Ltd and Indsil Electrosmelts Ltd. He holds 49,880 shares representing 0.49% of the Company's paid-up Share capital.

Mr. Dilip J Thakkar , 71 years has been a Director of the Company since March 20, 1998. Mr. Thakkar is an eminent Chartered Accountant with vast experience and knowledge in Collaboration, Joint Ventures etc. He is on the Board of several Public Limited Companies including Himatsingka Seide Ltd, PAE Ltd, Essar Oil Ltd, Wearology Ltd, Deccan Florabase Ltd, The Ruby Mills Ltd, Indo Count Industries Ltd, Walchandnagar Industries Ltd and Panasonic Battery India Co.Ltd. Mr.Dilip J. Thakkar is also the Partner of M/s. Jayantilal Thakkar & Company, Chartered Accountants as also M/s. Jayantilal Thakkar Associates, Chartered Accountants, Mumbai. He does not hold any shares in the Company.

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](mailto: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 transferre 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 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' 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**

**Narendra Rahalkar**  
Company Secretary

**Registered Office:**

Thirumalai House,  
Road No.29,  
Sion-East  
Mumbai-400 022  
June 02, 2008

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM No.7**

Mr. A. Janakiraman was appointed as Additional Director of the Company effective from October 29, 2007 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

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

Mr. Janakiraman is B.Sc [Chemistry] B.Tech [Chem. Engg] I.I.T and has wide experience in the area of Petrochemicals. He has worked in various capacities with Indian Oil Corporation, Herdilla Chemicals Ltd, Herdilla Polymers Ltd, Pasumai Irrigations Ltd, Chemplast Sanmar Ltd. He presently holds the position of President – New Business [Petroleum] Reliance Industries 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. A. Janakiraman is concerned or interested in the resolution.

**ITEM No.8**

Mr. P. Shankar was appointed as Additional Director of the Company effective from October 29, 2007 under Article 126 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956.

Mr. Shankar, 65 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. Shankar as Director of the Company together with deposit in accordance with Section 257 of the Companies Act, 1956.

Mr. Shankar retired as Central Vigilance Commissioner of India in September 2006. He joined the Indian Administrative Service in 1966 after acquiring a post-graduate degree in Economics from Vivekananda College of the erstwhile Madras University. In the course of a distinguished career he served as the Chief Secretary of Tamil Nadu (2001-02) and as Secretary to Government of India in the departments/ministries of heavy industry; sugar; food and public distribution and petroleum. He has rich experience in the field of industrial management and administration. His tenure as Chairman and Managing Director of Tamil Nadu Industrial Infrastructure Development Corporation saw the setting up of the Perundurai and Gangaikondan industrial areas and the Tirupur Infrastructure Development initiative.

Mr. Shankar is presently the Director in Avt Natural Products Ltd and New Tirupur Area Development Corporation Ltd.

The Directors commend the resolution set out at Item no. 8 of the accompanying notice for your approval.

None of the Directors of the Company except Mr. P. Shankar is concerned or interested in the resolution.

By the Order of the Board  
For **Thirumalai Chemicals Limited**

**Narendra Rahalkar**  
Company Secretary

**Registered Office:**

Thirumalai House,  
Road No.29,  
Sion-East  
Mumbai - 400 022  
June 02, 2008

## DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

**The Members,**

**Thirumalai Chemicals Ltd.**

Your Directors present their THIRTY FIFTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2008.

Rs. ( in Lakhs )

|   | Year ended<br>31/3/2008 | Year ended<br>31/3/2007 |
|---|-------------------------|-------------------------|
| <b>FINANCIAL RESULTS</b>  |                         |                         |
| Sales   | 65,770                  | 61,245                  |
| Other Income  | 587                     | 483                     |
|   | <b>66,357</b>           | 61,728                  |
| Gross Profit before Interest and Finance Charges and Depreciation | 7,190                   | 5,964                   |
| Interest and Finance charges                                      | 1,387                   | 1,019                   |
| Profit before Depreciation and Tax                                | 5,803                   | 4,945                   |
| Depreciation  | 1,125                   | 1,090                   |
| <b>Profit before Tax</b>  | <b>4,678</b>            | 3,855                   |
| Provision for Current Tax   | 1,825                   | 1,458                   |
| <b>Profit after Current Tax</b>                                   | <b>2,853</b>            | 2,396                   |
| Provision for Deferred Tax  | (197)                   | (185)                   |
| Prior Year Adjustment   | 383                     | 50                      |
| <b>Profit after Tax</b>   | <b>2,667</b>            | 2,531                   |
| Balance in Profit & Loss Account                                  | 3,500                   | 2,347                   |
|   | <b>6,167</b>            | 4,878                   |
| <b>APPROPRIATIONS</b>   |                         |                         |
| Dividend  | 1,024                   | 921                     |
| Tax on Dividend   | 174                     | 157                     |
| General Reserve   | 350                     | 300                     |
| Balance carried forward   | 4,619                   | 3,500                   |
|   | <b>6,167</b>            | 4,878                   |

On a Sales turnover of Rs. 65,770 Lakhs (Rs.61,245 Lakhs) with Export Turnover at Rs.10,226 Lakhs ( Rs.12,539 Lakhs) including Export earning on FOB basis of Rs. 9,150 Lakhs (Rs. 8,524 Lakhs) and Other Income of Rs. 587 Lakhs (Rs. 483 Lakhs), the Gross Profit of the Company amounted to Rs. 7,190 Lakhs (Rs.5,964 Lakhs). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net Profit amounted to Rs. 2,667 Lakhs compared to Rs. 2,531 Lakhs in the previous year.

### Dividend :

Your Directors are pleased to recommend payment of Dividend @ 100%.

The total cash outflow on account of this dividend payment including distribution tax will be Rs. 1,198 Lakhs. The dividend after approval by the shareholders at the forthcoming AGM will be paid to the eligible shareholders around July 25, 2008.

### MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

#### **Mission and Business Strategy:**

The Company's business mission continue to build a strong business around its core strengths in manufacturing, technology, quality and marketing. The Company has world scale plants for manufacturing diverse products such as Phthalic Anhydride (PAN), Maleic Anhydride (MAN), Fumaric Acid, Food Acids etc as also decent capacities to manufacture other value added products.

### Industry Developments:

PAN, the Company's main product continues to witness robust growth. The Company wants to be prepared to cater to the growing demand and hence is expanding its capacity to 140000 Mts. which will be ready by July 2008. At present PAN demand is growing at 8 to 10% in the local & 3% in the global market. The user industries of our products plasticizers, pigments and resins are all growing almost at double digit growth rate leading to an increased demand for PAN.

For the Plasticizer industry the availability of Oxo alcohol the other raw material besides PAN is expected to increase by 2009 which will lead to increased demand. Currently due to limited Oxo alcohol availability even though local production capacities are in place higher Plasticizer production is not possible. With such constraints on Plasticizer production correspondingly PAN consumption in this sector remains limited. But with improving Oxo alcohol availability, PAN consumption in Plasticizer sector will increase. India has good potential to increase Plasticizer production since with growing economy consumption growth will continue.

Pigment sector is continuing its march ahead with capacities expanding. Capacity expansions have taken place leading to more PAN consumption. Pigments & Dyes sector will continue to grow pushing up PAN consumption.

With infrastructure growth & growing Housing sector, Paint, Unsaturated Polyester (UPR) industries are also doing well. Few expansions have been completed & foreign direct investment in these sectors are increasing with entry of few global producers coming up with their plants in India. With increasing Paint, UPR consumption; PAN consumption will grow.

Thus overall domestic PAN demand is expected to grow steadily in short term leading to almost full capacity utilisation & operating rates for PAN plants.

MAN-Due to rampant dumping of MAN into the country from China and unremunerative price of Benzene, the Company has not been able to operate its MAN plant for major part of the year. However the action for levy of anti dumping duty ( ADD ) on import of MAN into our country from China is in the final stages and the Company is hopeful that with the imminent possibility of an ADD levy, soon dumping of MAN at very low prices into our country would cease. The company can operate its MAN plant at full capacity if Benzene, at reasonable prices is available from local sources. The product is also available with our Malaysian JV who will cater to the growing Indian demand provided it gets reasonable margins. The Company has captive requirement for MAN which also will be catered to by company's own manufacturing division or from Malaysian JV. In spite of these constraints we were able to continue to operate our food acids plant. Our food acids production will continue & we will be able to cater to growing local & overseas demand for food acids. Margins are not affected & food acids will continue to contribute to the profits.

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.

### Financial and Operating performance:

Your Company could achieve record production & 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 2007-2008, the Company earned Net Profits after Tax of Rs.2,667 Lakhs. The overall financial performance during the year 2007- 2008, was only marginally better than the previous year in spite of decent growth in our operating margins. The sudden stoppage of local availability of our main raw material beginning of last year was overcome by signing few contracts for imports.

During the year, the Company has set up two windmills at a cost of Rs. 830 Lakhs at Muthunayakanpatti, Palani Taluka, Tamil Nadu. The windmills were commissioned on 27<sup>th</sup> December 2007.

The Company during the last quarter of 2007-2008, re-vamped part of its Phthalic Anhydride plants for which one reactor was closed for about 35 days from 15<sup>th</sup> February, 2008. The entire plant was also shut for about 15 days for this revamp. This affected the production & profit margin adversely during the last quarter ended 31st March 08. The catalyst change and the revamp has enhanced the capacity to 110,000 tons / year from end March 2008.

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. 10,990 Lakhs. This is the contribution on Net Sales of about Rs. 58,794 Lakhs. That is, over 19% 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 increasing both in the domestic and international market. The increased expanded capacity utilization for PAN could translate into higher turnover and higher profitability. Food acids exports will give a great push to the turnover in view of the higher value addition.

#### **Risks and concerns:**

Pressure on margins, high raw material prices, availability of substitutes, indiscriminate imports, foreign exchange fluctuations, higher overheads are some factors which could impact adversely.

#### **Current year:**

The year has begun with a never before witnessed rise in crude oil prices and inflation. The Company is going through a period of turmoil in the industry with steep increase in price of raw material. However the Company is best prepared to face this period due to proper planning for raw material as well as sales. The additional requirements of raw material for expanded capacity will be booked this year.

For PAN, contract sale on pre-determined formula basis continues to be successful strategy. The Company will constantly keep devising new ways and means to operate all its plants fully.

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 (except MAN) are running fully. The Company's endeavour will be to work all Plants fully at all times.

#### **Outlook:**

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.

#### **EXPORTS:**

Calculated on FOB basis, Exports amounted to Rs. 9,150 Lakhs (Rs. 8,524 Lakhs), while Total Exports including Deemed Exports amounted to Rs. 17,005 Lakhs (Rs. 12,539 Lakhs) The Company has been accorded the status of 'One Star Export House' which is 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 plant for the manufacture of MAN from Butane has been successfully commissioned in January 2008. The demand for MAN in India is on the rise and the JV will export MAN to India at remunerative prices. The product from the new plant has achieved acceptability from all customers and the JV hopes to sell its entire capacity in the Indian and International markets at remunerative prices. Note No. 27 in Schedule 19 gives more details on the above.

#### **Chemidye Division**

Chemidye which has 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 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 Rs. 9.29 Lakhs due for repayment on or before March 31, 2008 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 Bombay 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. Pradeep Rathi, Dr. S. Rama Iyer and Mr. Dilip J Thakkar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. A. Janakiraman & Mr. P. Shankar joined the Company's Board with effect from 29<sup>th</sup> October 2007. It is proposed to reappoint them as Directors liable to retire by rotation at the ensuing AGM.

The Board commends the aforesaid appointments.

Mr. R. Sundararajan resigned as Director with effect from 14<sup>th</sup> June 2007. Mr. U. Sundararajan resigned as Director with effect from 29<sup>th</sup> May 2008. The Directors wish to place on record the valuable services rendered by Mr. R. Sundararajan and Mr. U. Sundararajan during their 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

## ANNEXURE 1 TO DIRECTOR'S REPORT

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules 1975 as amended by the Companies Amendment Act, 1988 and forming part of the Directors Report for the year ended 31<sup>st</sup> March, 2008.

| Sr. No. | Name of the Employee | Age [Years] | Qualification and Experience                     | Designation                         | Remuneration Rs. | Date of Commencement | Last Employment Held                           |
|---------|----------------------|-------------|--|-------------------------------------|------------------|----------------------|--|
| 1       | Mr. S. Sridhar       | 57          | B.Sc., ACA<br>32 Years                           | Chairman & Managing Director        | 2,31,37,042      | 01/04/1979           | Chief Accountant – Ultramarine & Pigments Ltd. |
| 2       | Mr. R. Parthasarathy | 57          | B. Tech., M.S.<br>Wisconsin – U.S.A.<br>34 Years | Vice – Chairman & Managing Director | 2,37,74,966      | 03/04/1974           | ----   |

**NOTES:**

- 1] Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Gratuity, Leave encashment, Medical Benefits and Leave Travel Allowance.
- 2] Nature of Employment is Contractual.
- 3] Mr. S. Sridhar is a relative of Mr. S. Santhanam, Director of the Company.

## ANNEXURE 2 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.**

### I. CONSERVATION OF ENERGY :

- 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 | Year<br>Ending<br>2007-08 | Year<br>Ending<br>2006-07 |
|------------------|---------------------------|---------------------------|
|------------------|---------------------------|---------------------------|

#### 1 ELECTRICITY:

|                           |      |                  |             |
|---------------------------|------|------------------|-------------|
| <b>a) PURCHASED UNITS</b> | KWHR | <b>16,34,931</b> | 21,14,000   |
| Total Amount Paid         | RS.  | <b>94,47,835</b> | 1,15,99,505 |
| Rate Per Unit             | RS.  | <b>5.78</b>      | 5.49        |
| <b>b) OWN GENERATION:</b> | KWHR | <b>19,31,946</b> | 9,21,707    |
| Unit / Ltr of HSD         |      | <b>2.65</b>      | 2.78        |
| Cost Per Unit             |      | <b>12.53</b>     | 12.44       |

#### 2 COAL : Not consumed in the process

#### 3 FURNACE OIL:

|              |    |                     |              |
|--------------|----|---------------------|--------------|
| Total Qty    | KL | <b>5933</b>         | 6217         |
| Total Amount | RS | <b>11,15,06,048</b> | 10,06,41,372 |
| Avg Rate     | RS | <b>18,794</b>       | 16,188       |

#### 4 OTHER INTERNAL GENERATIONS

NIL                      NIL

#### 5 CONSUMPTION PER TONNE OR PRODUCTION

|                              |      |               |        |
|------------------------------|------|---------------|--------|
| <b>a) PHTHALIC ANHYDRIDE</b> |      |               |        |
| Electricity                  | KWHR | <b>10.07</b>  | 9.21   |
| Furnace Oil                  | LTR  | <b>36.54</b>  | 27.10  |
| Others (Diesel)              | LTR  | <b>4.49</b>   | 1.44   |
| <b>b) MALEIC ANHYDRIDE</b>   |      |               |        |
| Electricity                  | KWHR | <b>78.90</b>  | 35.97  |
| Furnace Oil                  | LTR  | <b>286.34</b> | 105.78 |
| Others (Diesel)              | LTR  | <b>35.16</b>  | 5.63   |
| <b>c) FOOD ACIDS</b>         |      |               |        |
| Electricity                  | KWHR | <b>107.51</b> | 170.34 |
| Furnace Oil                  | LTR  | <b>390.14</b> | 500.95 |
| Others (Diesel)              | LTR  | <b>47.91</b>  | 26.68  |

### 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 shelf life of special anhydrides
  - b) Developed new fine chemicals using biotechnological route.
  - c) Development of new value added products from Maleic Anhydride, Phthalic Anhydride and others.
  - d) Reduction in the cost of production on food acids and Special Anhydrides.
  - e) Improvement in effluent treatment methods and effluent reduction using microbiological techniques.
- 2) Benefits derived as a result of above effects.
    - a) Improvement of yield in the plants.
    - b) Production of Special Anhydrides and downstream products.
    - c) Improvement in quality of products.
    - d) Optimal utilization of Raw materials in Utility and Fine Chemical plants.
  - 3) Future plan of action.
    - a) Technical tie up with the World leaders for new product lines
    - b) Process improvement to reduce effluent.
    - c) Reduce energy cost per unit of production.
  - 4) Capital Expenditure on R & D (Rs.)
 

|              |                                     |
|--------------|-------------------------------------|
| a) Capital   | Rs. 25.01 Lakhs (Rs. 45.86 Lakhs)   |
| b) Recurring | Rs. 134.00 Lakhs (Rs. 163.14 Lakhs) |
| c) Total     | Rs. 159.01 Lakhs (Rs. 209.00 Lakhs) |

    - d) Total R & D Expenditure as a % age of Sales 0.24% (0.34%)
  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.  
Improvement in the quality of the products, increased productivity and reduced cost of production in all products.
    - c) Particulars of Technology imported during the last 5 Years. None.
    - d) Techno-commercial studies of fine chemicals
    - e) Food acidulants- awareness to customers, technical services to users of our products.

### III. Foreign Exchange Earning and Outgo

Export earnings – Rs. 9,150 Lakhs (Rs. 8,524 Lakhs)

Outgo – Rs. 29,413 Lakhs (Rs. 1,580 Lakhs)

## CORPORATE GOVERNANCE REPORT 2007-08

(as required under Clause 49 of the Listing Agreement with Stock Exchanges)

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes that good Corporate Governance practices would ensure efficient conduct of the affairs of the Company and facilitate the Company to achieve its goal of maximizing value to the shareholders and simultaneously enable the company to fulfill its obligations to the other stakeholders such as customers, vendors, employees and to the society in general.

The Company recognizes that strong Corporate Governance is indispensable to resilient and vibrant capital markets and is therefore an important instrument of investor protection.

The company continues to remain committed to a corporate culture of conscience and consciousness, integrity, fairness, transparency, accountability and responsibility for efficient and ethical conduct of its business.

### BOARD OF DIRECTORS:

Board of Directors of the Company ("Board") decides the policy and strategy for the Company and has the overall superintendence and control over the management of the Company.

#### a) Composition:

- 1) The Board of Directors of your Company presently comprise of an Executive Chairman and Managing Director and Vice-Chairman and Managing Director i.e. 2 Executive Directors and 8 Non Executive Directors.
- 2) All Directors other than Mr. S.Sridhar, Mr. R. Parthasarathy and Mr. S. Santhanam are independent Directors.

#### b) Board Meetings:

5 meetings of the Board of Directors were held on the following dates :-

22/5/2007, 16/7/2007, 10/09/2007, 29/10/2007 and 22/1/2008. All operational and statutorily required information were placed before the Board. All significant events were also reported to the Board.

The Company Secretary, in consultation with the Chairman & Managing Director, drafts the agenda of the meeting. Agenda papers along with relevant details are circulated to all Directors, well in advance of the date of the Board meeting.

The details of attendance of each Director at the Board Meetings held during the financial year 2007-2008, and at the last AGM are given below:-

| Name of Directors               | Attendance at  |          | No. of Directorships of other Public Companies | No. of memberships of Board Sub Committees |
|---------------------------------|----------------|----------|--|--|
|                                 | Board Meetings | Last AGM |  |  |
| Mr.S.Sridhar-(C&MD)             | 5              | Yes      | 2  | 4  |
| Mr.R.Parthasarathy(VC&MD)       | 4              | Yes      | -  | -  |
| Mr.S.Santhanam                  | 5              | Yes      | 1  | 2  |
| Mr.R.Sundararajan <sup>#</sup>  | -              | NA       | -  | -  |
| Mr.Cyril S Shroff <sup>@</sup>  | -              | NA       | -  | -  |
| Mr.Pradeep Rathi                | 3              | Yes      | 11   | 6  |
| Mr.Dilip J Thakkar              | 5              | Yes      | 11   | 9*   |
| Dr.S.Rama Iyer                  | 3              | No       | 4  | -  |
| Mr.U.Sundararajan <sup>\$</sup> | 1              | No       | 6  | 4~   |
| Mr.Atul Agarwal                 | 5              | Yes      | 3  | 2  |
| Mr. K. V. Krishnamurthy         | 5              | Yes      | 8  | 7  |
| Mr. A. Janakiraman <sup>^</sup> | 2              | NA       | -  | -  |
| Mr. P. Shankar <sup>^</sup>     | 2              | NA       | 2  | 1  |

# Resigned as director w.e.f. 14/06/2007

@ Resigned as director w.e.f. 25/04/2007

\* of which, 5 as Chairman.

\$ Resigned as director w.e.f. 29/05/2008

~ of which, 2 as Chairman

^ appointed as director w.e.f. 29/10/2007

#### c) Remuneration of Directors:

The remuneration paid to the Managing Directors is within the ceiling as per the resolution approved by the shareholders.

Details of remuneration paid to the Managing Directors during the year ended 31/03/2008 are:

| Name                 | Position                           | Salary Rs. | Commission Rs. | Contribution to P.F. and other Fund Rs. | Perquisites Rs. |
|----------------------|------------------------------------|------------|----------------|---|-----------------|
| Mr. S. Sridhar       | Chairman & Managing Director       | 27,63,000  | 1,21,42,289    | 63,65,086                               | 18,66,667       |
| Mr. R. Parthasarathy | Vice -Chairman & Managing Director | 27,63,000  | 1,21,42,289    | 70,03,010                               | 18,66,667       |

Sitting fees is payable to the Non-Executive Directors for attending Board / Committee meetings. The Non-Executive Directors are also paid commission, on an annual basis, in such proportion as may be decided by the Board, provided that the total commission payable to such Directors shall not exceed 1% of the net profits of the Company. The sitting fees paid & commission payable to the Non-Executive Directors is as under:

|                         | Sitting fees<br>Rs. | Commission<br>payable Rs. |
|-------------------------|---------------------|---------------------------|
| Mr. Dilip J Thakkar     | 2,60,000            | 5,50,000                  |
| Mr. S. Santhanam        | 2,60,000            | 5,50,000                  |
| Dr. S. Rama Iyer        | 60,000              | 2,50,000                  |
| Mr. Atul Agarwal        | 1,80,000            | 5,50,000                  |
| Mr. Pradeep Rathi       | 60,000              | 2,50,000                  |
| Mr. U. Sundararajan     | 20,000              | 1,50,000                  |
| Mr. Cyril Shroff        | Nil                 | 1,00,000                  |
| Mr. R. Sundararajan     | Nil                 | 1,00,000                  |
| Mr. K. V. Krishnamurthy | 1,80,000            | 5,50,000                  |
| Mr. A. Janakiraman      | 40,000              | 2,00,000                  |
| Mr. P. Shankar          | 40,000              | 2,00,000                  |

#### Shareholdings of Directors:

The following table gives the Shareholdings of Directors in the Company where either their names appear as Sole Shareholder or as the First Joint Shareholder as on 31/3/2008.

| Name               | No. of Shares held | % of holding |
|--------------------|--------------------|--------------|
| Mr.R.Parthasarathy | 4,29,509           | 4.19         |
| Mr.S.Sridhar       | 7,19,158           | 7.02         |
| Mr.S.Santhanam     | 5,19,186           | 5.07         |
| Dr.S.Rama Iyer     | 49,880             | 0.49         |
| Mr.Atul Agarwal    | 15,000             | 0.15         |

#### BOARD COMMITTEES:

##### a) Audit Committee:

The Audit Committee comprises of the following members:

Mr. Dilip J Thakkar – Chairman  
Mr. S. Santhanam.  
Mr. Atul Agarwal  
Mr. K. V. Krishnamurthy

Mr. Thakkar is an eminent practicing Chartered Accountant, also the Director in several Companies including 11 Public Companies (as also member in 9 Committees of Board with Chairmanship of 5 Committees). Mr. Atul Agarwal, also a qualified Chartered Accountant is apart from being the Managing Director of Mercator Lines Limited, is also the Director of Mercator Healthcare Limited, Mercator Line (Singapore) Ltd and Director/Vice President of Indian National Shipowners Association. Mr. S. Santhanam, Printing Technologist, having vast management experience, is a non-Executive Director and is the Director of another public Company. Mr. K. V. Krishnamurthy is a qualified Chartered Accountant and fellow member of 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. All of them have vast experience and knowledge of Commercial and Business matters.

Four meetings of the Audit Committee of the Board of Directors were held during the year 2007-2008 on 22/5/2007, 16/7/2007, 29/10/2007 and 22/01/2008.

The Audit Committee meetings as above were attended by all the Audit Committee members. The concerned partner of the Statutory Auditors attended all the meetings, while the partner of the Internal Auditor was invited to attend the meeting held on 22.5.2007 and was present. The Company Secretary and The General Manager-Finance & Taxation also attend all the Audit committee meetings. Audit Committee members also act as Selection /Remuneration Committee members.

The Audit Committee discussed the Company's accounts as also the periodic quarterly results before it was placed before the Board of Directors and also had overview of the Company's financial reporting process. The Audit Committee reviews the quarterly and annual results before it is considered by the Board of Directors. Also reviewed by the Audit Committee are the Group Company transactions as also the Internal Auditors Report and Action Taken Report thereon.

##### b) Share Transfer/Investors Grievance Committee and Allotment Committee:

The Share Transfer / Investors Grievance Committee constitutes of the following members:

1] Mr. S. Sridhar  
2] Mr. S. Santhanam  
3] Mr. Dilip J Thakkar

Mr. Narendra Rahalkar, the Company Secretary is the Compliance Officer. During the year, the Company received 34 queries/complaints from Shareholders which were all resolved promptly. The process of share transfer is delegated and is done about once a fortnight (depending on transfers received) which is confirmed and ratified by the Board of Directors at the next meeting.

The Committee meets as often as is necessary. There has been no complaints from any investor which has not been redressed promptly. Four meetings of the Share Transfer/Investors Grievance Committee were held during the year 2007-2008.

**GENERAL BODY MEETINGS:**

The Thirty Fifth Annual General Meeting of the Company for the financial year 2007- 2008 would be held on Monday, 21<sup>st</sup> July, 2008 at 4.00 p.m. at The Mysore Association Auditorium, Bhaudaji Road, Matunga , Mumbai- 400 019.

The last three Annual General Meetings were held as under:

| Financial Year | Date       | Time     | Location.   |
|----------------|------------|----------|---|
| 2006-2007      | 16/7/2007  | 4.00 p.m | Mysore Association Auditorium<br>Bhaudaji Road, Matunga-<br>(C.Rly) Mumbai. |
| 2005-2006      | 24/7 /2006 | 4.00 p.m | Mysore Association Auditorium<br>Bhaudaji Road, Matunga-<br>(C.Rly) Mumbai. |
| 2004-2005      | 29/8 /2005 | 4.00 p.m | Mysore Association Auditorium<br>Bhaudaji Road, Matunga-<br>(C.Rly) Mumbai. |

During these meetings, all resolutions were passed unanimously/by majority.

No special resolution was passed through postal ballot. During the year, one ordinary resolution was passed through postal ballot. The postal ballot notice dated 8<sup>th</sup> June 2007 was mailed to all the shareholders together with postage prepaid envelopes. Mr. Vijay Mehta, Practicing Chartered Accountant, was appointed as Scrutinizer for the postal ballot, who submitted his report to the Chairman of the Company. Based on the Scrutinizer's report, the result of the postal ballot was declared on 20<sup>th</sup> July 2007, as follows:

**Resolution 1:**
**Consent under Section 293(1)(a)**

|   |           |
|---|-----------|
| Number of valid postal ballot forms received    | 524       |
| Votes in favour of the Resolution               | 54,29,571 |
| Votes against the Resolution                    | 5,552     |
| Percentage of votes in favour of the Resolution | 99.78%    |

The ordinary resolution was passed with requisite majority.

**DISCLOSURES:**

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 / Audit Committee also, apart from the Statutory Auditors and the senior management of the Company.

For every quarter, the General Manager / President of the Factory at Ranipet / Works Manager and the Dy. Manager (Accounts), make report of Statutory compliances which are placed before the Audit Committee, which is a detailed report. At the Board meeting following the Audit Committee meeting, the Company Secretary makes a report confirming statutory compliances for the said quarter. Also, at such meetings, the Managing Directors also confirm to the Board of all Statutory Compliances.

There were no material significant transactions with the Directors or the management or their subsidiaries or relatives that have any potential conflict with the interest of the Company. All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

There were no case of non-compliance by the Company, nor any cases of penalties, strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

**Code of Conduct:**

The Company has laid down the Code of Conduct for all Board members and Senior management of the Company. The Code is also posted on the Company's website. The Board of Directors have noted the declaration by the Chairman and Managing Director, who is also the CEO, about affirming of compliance by all Board members and Senior Management on an annual basis with the Code.

**Risk Management:**

The Company has well laid down procedures to inform Board members about the risk assessment and minimisation procedures.

**CEO /CFO Certification:**

Mr. S. Sridhar, the Chairman and Managing Director acts as the CEO while Ms. Neha Huddar, General Manager (Finance & Taxation) is the CFO. Appropriate certification as required under Para V of Clause 49 of the Listing requirements has been made to the Board of Directors by the CEO as well as the CFO which has been taken note of by the Board.

**MEANS OF COMMUNICATION:**

The Company has promptly reported all material information including quarterly results and press releases to the Stock Exchanges where the Company's securities are listed. The quarterly results were communicated to the shareholders by way of advertisement in a National daily and in a vernacular language newspaper.

**GENERAL SHAREHOLDERS INFORMATION:**

- 1) Date, time and venue of 35<sup>th</sup> AGM : Monday, 21<sup>st</sup> July 2008 at 4.00 p.m. at Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai- 400 019.
- 2) Date of Book Closure : Tuesday, 8<sup>th</sup> July 2008 to Monday, 21<sup>st</sup> July, 2008.
- 3) Listing on Stock Exchanges : Mumbai (BSE) and National Stock Exchange (NSE).
- 4) Listing fees : Paid as per the listing agreement.
- 5) ISIN : INE 338A01016.
- 6) BSE Stock code : 500412  
NSE Stock code : TIRUMALCHM
- 7) Registered office : Thirumalai House, Road No.29,  
Sion-East, Mumbai-400 022  
Tel: +91-22- 24017841/7861/7853/7869/7834  
Fax: +91-22-24011699/4754  
E-mail- [anand@thiruchem.com](mailto:anand@thiruchem.com)
- 8) Registrar & Share Transfer Agent : Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Road, Bhandup (W)  
Mumbai-400 078.  
Tel: +91-22-25963838  
Fax: +91-22-.25946969  
E-mail-isrl@intimespectrum.com
- 9) Compliance Officer : Mr. Narendra Rahalkar, Company Secretary.  
Thirumalai Chemicals Limited  
Thirumalai House, Road No.29,  
Sion (East), Mumbai- 400 022.  
Tel: +91-22-24017841/61/53.  
Fax: +91-22-24011699.  
E-mail- [narendra@thiruchem.com](mailto:narendra@thiruchem.com)
- 10) Share Transfer system : The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares sent for physical transfer or dematerialisation requests are registered promptly within 15 days from the date of receipt of completed and validly executed documents.
- 11) Financial Calendar : Annual Results - End May 2008  
Mailing of Annual Reports - Mid June, 2008  
June quarter results - Mid July 2008  
September quarter results - End October 2008.  
December quarter results - End January 2009.
- 12) Dividend payment dates : Around 25/7/2008.
- 13) Dematerializations of shares : As on 31/3/2008, 93.87 % of the Company's Shares representing 96,11,260 shares were held in the dematerialized form.
- 14) Plant Location : Ranipet, North Arcot District, Tamil Nadu.  
Tel:+04172-244441. Fax:+04172-244308.  
E-Mail: [mail@thirumalaichemicals.com](mailto:mail@thirumalaichemicals.com)
- 15) Categories of Shareholders (as on 31/3/2008):

| Category                       | No. of shares      | % of shareholding |
|--------------------------------|--------------------|-------------------|
| Directors, Relatives, Promoter | 23,49,512          | 22.95             |
| Group Companies                | 31,01,119          | 30.29             |
| Financial Institutions/Banks   | 3,60,982           | 3.53              |
| Insurance Companies            | 4,600              | 0.04              |
| NRI, FIIs                      | 2,90,736           | 2.84              |
| Companies/Bodies Corporate     | 3,74,468           | 3.66              |
| General Public                 | 37,24,977          | 36.38             |
| Clearing member                | 30,918             | 0.30              |
| Trusts                         | 1,500              | 0.01              |
| <b>TOTAL</b>                   | <b>1,02,38,812</b> | <b>100.00</b>     |

## 16) Distribution of Shareholding (as on 31/03/2008) :

| No. of Shares | No. of Shareholders | % of Shareholders | Shareholding    | % of Shareholding |
|---------------|---------------------|-------------------|-----------------|-------------------|
| Up to 500     | 13673               | 92.81             | 1416577         | 13.84             |
| 501-1000      | 536                 | 3.64              | 410349          | 4.01              |
| 1001-2000     | 257                 | 1.74              | 381638          | 3.73              |
| 2001-5000     | 144                 | 0.98              | 456573          | 4.46              |
| Over 5000     | 123                 | 0.83              | 7573675         | 73.97             |
| <b>TOTAL</b>  | <b>14733</b>        | <b>100.00</b>     | <b>10238812</b> | <b>100.00</b>     |

## 17) Stock market price data for the year 2007-2008.

| Month          | BSE        |           |               | NSE        |           |               |
|----------------|------------|-----------|---------------|------------|-----------|---------------|
|                | High (Rs.) | Low (Rs.) | No. of Shares | High (Rs.) | Low (Rs.) | No. of Shares |
| April,2007     | 147.00     | 130.00    | 35847         | 147.60     | 126.00    | 25949         |
| May,2007       | 179.70     | 139.70    | 410579        | 190.00     | 140.00    | 429488        |
| June,2007      | 185.00     | 162.00    | 230493        | 184.45     | 163.60    | 269762        |
| July,2007      | 190.00     | 164.75    | 295454        | 189.00     | 162.60    | 207082        |
| August,2007    | 177.40     | 156.30    | 70372         | 188.70     | 160.85    | 47396         |
| September,2007 | 186.75     | 165.45    | 111216        | 189.90     | 165.50    | 99635         |
| October,2007   | 194.75     | 150.00    | 472974        | 196.00     | 155.00    | 214629        |
| November,2007  | 194.95     | 161.00    | 119867        | 195.00     | 165.00    | 72773         |
| December,2007  | 275.00     | 180.25    | 426314        | 272.20     | 173.10    | 267950        |
| January,2008   | 309.90     | 180.55    | 256463        | 308.70     | 182.10    | 138532        |
| February,2008  | 225.90     | 180.00    | 67159         | 224.00     | 181.00    | 44484         |
| March,2008     | 199.85     | 150.20    | 116228        | 199.90     | 148.60    | 108076        |

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members,  
Thirumalai Chemicals Limited,  
Mumbai.

We have examined the compliance of conditions of Corporate Governance by **THIRUMALAI CHEMICALS LIMITED** for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the financial statement of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**Contractor Nayak & Kishnadwala**  
Chartered Accountants

[H V Kishnadwala]  
Partner,  
Membership No. 37391  
Mumbai, June 2, 2008

## AUDITORS' REPORT

The Members of

### THIRUMALAI CHEMICALS LIMITED

1. We have audited the attached Balance Sheet of THIRUMALAI CHEMICALS LIMITED as at 31st March 2008, the related Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Without qualifying our report, we draw attention to Note 27 of Schedule 19 regarding no provision being made for diminution, if any, in the value of investments in TCL Industries (Malaysia) Sdn Bhd;
5. Further to our comments in the Annexure referred to in above paragraph, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
- c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- e) On the basis of written representations received from the directors of the Company as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008, from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to Accounts in Schedule 19 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
  - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date,
  - c. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of  
**Contractor Nayak & Kishnadwala**  
Chartered Accountants

H. V. Kishnadwala  
Partner, Mem. No 37391

Mumbai, June 2, 2008

### Statement referred to in paragraph 3 of the Auditors' Report of even date to the Members of THIRUMALAI CHEMICALS LIMITED on the accounts for the year ended 31st March 2008.

On the basis of such checks as considered appropriate and in terms of the information and explanations given to us, we state as under:

- 1 (a) The company is maintaining proper records showing full particulars including quantitative details and situation of the fixed assets;
- 1 (b) As explained to us, the management at reasonable intervals carries out the physical verification of the fixed assets. The discrepancies noticed on such verification, which were not material, have been appropriately dealt with in the accounts.
- 1 (c) The fixed assets disposed off by the company were not substantial and therefore does not affect the going concern assumption.
- 2 (a) As explained to us, the inventories have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stocks, the frequency of the physical verification is reasonable.
- 2 (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 2 (c) In our opinion, the Company is maintaining proper records of inventory and the discrepancies noticed on physical verification of the same were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account;
- 3 (a) As per the information and explanations given to us, the Company has granted unsecured loans to a Company covered in the register maintained under section 301 of the Companies Act, 1956. The details of such unsecured loans granted are as under:

| Name of Party                     | Balance as on 31 March 2008 (Rs.) | Maximum balance outstanding during the year (Rs.) |
|-----------------------------------|-----------------------------------|---|
| TCL Industries (Malaysia) SDN BHD | 42,102,983                        | 46,347,542  |

- 3 (b) In case of the aforesaid unsecured loans granted to a Company covered in the register maintained under Section 301 of the Companies Act, 1956, the rate of interest and the other terms and conditions are not prima-facie prejudicial to the interests of the Company;
- 3 (c) In case of the aforesaid unsecured loan granted to a Company covered in the register maintained under Section 301 of the Companies Act, 1956, the repayment of principal amount and interest is regular;
- 3 (d) In case of the aforesaid unsecured loans granted to a Company covered in the register maintained under Section 301 of the Companies Act, 1956, the Company is taking reasonable steps for the timely recovery of the principal and interest.
- 3 (e) As per the information and explanations given to us, the Company has taken unsecured loans from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The details of such unsecured loans taken are as under:

| Name of Party              | Balance as on 31 March 2008 (Rs.) | Maximum balance outstanding during the year (Rs.) |
|----------------------------|-----------------------------------|---|
| Ultramarine & Pigments Ltd | Nil                               | 181,738,233                                       |

- 3 (f) In case of the aforesaid unsecured loans taken from a Company covered in the register maintained under Section 301 of the Companies Act, 1956, the rate of interest and the other terms and conditions are not prima-facie prejudicial to the interests of the Company.
- 3 (g) In case of the aforesaid unsecured loan taken from a Company covered in the register maintained under Section 301 of the Companies Act, 1956, the repayment of principal amount and interest is regular.
- 4 In our opinion and as explained to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls and there is no continuing failure for the same.
- 5 (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered,
- 5 (b) In our opinion and as explained to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 are reasonable having regard to the prevailing market prices at the relevant time.
- 6 In our opinion and as explained to us, the Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules made there under for the deposits accepted from the public.
- 7 In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- 8 We have broadly reviewed the books of account maintained by the company in respect of manufacture of chemicals pursuant to the order made by the Central Government for the maintenance of cost records prescribed under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- 9 (a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other statutory dues and there are no undisputed statutory dues outstanding as at 31st March 2008, for a period of more than six months from the date they became payable.
- 9 (b) Disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

| Name of the Statute | Nature of the dues | Amount (Rs.) | Year to which the amount relates  | Forum where dispute is                                |
|---------------------|--------------------|--------------|-----------------------------------|---|
| Central Excise Act  | Excise Duty        | 2,518,116    | 2002-03<br>2003-04<br>and 2004-05 | Central Excise and Service Tax Appellate and Tribunal |

|                                 |                                     |             |                            |  |
|---------------------------------|-------------------------------------|-------------|----------------------------|--|
| Central Excise Act              | Excise Duty                         | 476,729     | 2004-05                    | Commissioner of Central Excise (Appeals) |
| Central Excise Act              | Excise Duty                         | 99,945      | 2005-06 (CMC *)            | Asst. Commissioner of Central Excise     |
| Central Excise Act              | Excise Duty                         | 476,379     | 2005-06                    | Commissioner of Central Excise (Appeals) |
| Income Tax Act                  | Income Tax                          | 11,52,824   | 1996-97, 2002-03           | Income Tax Appellate Tribunal            |
| Income Tax Act                  | Income Tax                          | 33,688,413  | 2004-05                    | Commissioner of Income Tax (Appeals)     |
| Income Tax Act                  | Income Tax                          | 1,121,922   | 1996-97 and 2004-05 (CMC*) | Commissioner of Income Tax (Appeals)     |
| Foreign Exchange Management Act | Penalty                             | 9,93,63,453 | 1996-97                    | Mumbai High Court                        |
| Tamilnadu General Sales Tax Act | Interest on belated payments of tax | 75,37,505   | 2000-01 to 2005-06         | Chennai High Court                       |

\* Pertains to erstwhile Chemidye Manufacturing Company Pvt. Ltd amalgamated with the company effective 1st April 2005. Of the above, certain amounts have been paid under protest (Refer Notes 3, 4 and 5 of Schedule 19)

10 The company does not have any accumulated losses as on 31st March 2008 and has not incurred any cash losses during the financial year and in the immediately preceding financial year.

11 Based on the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institutions and banks.

12 Based on our examination of the records and as explained to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.

13 The Company is not a chit fund, nidhi, mutual benefit fund or a society.

14 During the year, the Company has not made any dealing and trading in shares, securities, debentures and other investments except temporary investment of surplus fund in mutual fund units. The Company holds all shares, debentures and other investments held by the Company in own name.

15 According to the information and explanations given to us, the Company has given guarantees for loans taken by another company from banks where it has substantial interest. In our opinion, the terms and conditions whereof are not prejudicial to the interest of the Company.

16 According to the information and explanations given to us, the working capital term loans raised during the year were used for the purpose for which they were raised.

17 As explained to us and on an overall examination of the balance sheet of the Company, in our opinion there are no funds raised on short-term basis, which have been used for long-term investment by the Company.

18 The Company has not made any preferential allotment of shares during the year.

19 During the year covered by our audit report the Company has not issued any secured debentures.

20 The Company has not raised any money by public issues during the year covered by our report.

21 As per the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of  
**Contractor Nayak & Kishnadwala**  
Chartered Accountants

H. V. Kishnadwala  
Partner,  
Mem. No 37391

Mumbai June 2, 2008

**BALANCE SHEET AS AT 31st March 2008**

|   | SCHEDULE | AS ON<br>31.03.2008<br>Rs.  | AS ON<br>31.03.2007<br>Rs.  |
|---|----------|-----------------------------|-----------------------------|
| <b>I SOURCES OF FUNDS</b>                         |          |                             |                             |
| <b>1. SHARE HOLDER'S FUNDS</b>                    |          |                             |                             |
| a) Share Capital                                  | 1        | 102,410,620                 | 102,410,620                 |
| b) Reserves and Surplus                           | 2        | 1,209,984,836               | 1,063,068,216               |
|   |          | <u>1,312,395,456</u>        | <u>1,165,478,836</u>        |
| <b>2. LOAN FUNDS</b>                              |          |                             |                             |
| a) Secured Loans                                  | 3        | 1,538,326,048               | 891,286,878                 |
| b) Unsecured Loans                                | 4        | 424,776,257                 | 541,974,218                 |
|   |          | <u>1,963,102,305</u>        | <u>1,433,261,096</u>        |
| <b>3. DEFERRED TAX LIABILITIES (NET)</b>          |          | 257,969,433                 | 277,646,710                 |
| <b>TOTAL</b>                                      |          | <u><u>3,533,467,193</u></u> | <u><u>2,876,386,642</u></u> |
| <b>II APPLICATIONS OF FUNDS</b>                   |          |                             |                             |
| <b>1 FIXED ASSETS</b>                             | 5        |                             |                             |
| a) Gross Block                                    |          | 2,673,479,453               | 2,535,592,672               |
| b) Less: Depreciation                             |          | 1,582,917,872               | 1,471,134,863               |
| c) Net Block                                      |          | 1,090,561,581               | 1,064,457,809               |
| d) Capital Work in progress                       |          | 123,975,267                 | 4,540,077                   |
|   |          | <u>1,214,536,848</u>        | <u>1,068,997,886</u>        |
| <b>2 INVESTMENTS</b>                              | 6        | 237,435,631                 | 237,439,183                 |
| <b>3 CURRENT ASSETS, LOANS &amp; ADVANCES</b>     |          |                             |                             |
| a) Inventories                                    | 7        | 1,040,892,594               | 1,342,363,445               |
| b) Sundry Debtors                                 | 8        | 1,557,228,689               | 1,458,974,191               |
| c) Cash and Bank Balances                         | 9        | 17,215,989                  | 31,711,113                  |
| d) Loans and advances                             | 10       | 353,841,062                 | 390,623,582                 |
|   |          | <u>2,969,178,334</u>        | <u>3,223,672,331</u>        |
| <b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b> |          |                             |                             |
| a) Current Liabilities                            | 11       | 723,732,860                 | 1,524,584,643               |
| b) Provisions                                     | 12       | 163,950,760                 | 129,138,115                 |
|   |          | <u>887,683,620</u>          | <u>1,653,722,758</u>        |
| <b>NET CURRENT ASSETS</b>                         |          | <u>2,081,494,714</u>        | <u>1,569,949,573</u>        |
| <b>TOTAL</b>                                      |          | <u><u>3,533,467,193</u></u> | <u><u>2,876,386,642</u></u> |
| Notes forming part of Accounts                    | 19       |                             |                             |

As per our report of even date  
For & on behalf of

**Contractor, Nayak & Kishnadwala**  
Chartered Accountants

**S SRIDHAR**  
Chairman and Managing Director

**S SANTHANAM**  
Director

**H. V. KISHNADWALA**  
Partner  
MUMBAI,  
2<sup>nd</sup> June, 2008

**NARENDRA RAHALKAR**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2008**

|  | SCHEDULE | YEAR ENDED<br>31.03.2008<br>Rs. | YEAR ENDED<br>31.03.2007<br>Rs. |
|--|----------|---------------------------------|---------------------------------|
| <b>INCOME</b>  |          |                                 |                                 |
| Sales  |          | 6,576,969,293                   | 6,124,485,023                   |
| Less : Excise Duty Recovered on Sales                |          | 697,526,103                     | 697,889,733                     |
| Net Sales  |          | 5,879,443,190                   | 5,426,595,290                   |
| Other Income   | 13       | 58,662,336                      | 48,292,928                      |
| Variation in Stocks                                  | 14       | (95,117,000 )                   | 4,345,000                       |
|  |          | 5,842,988,526                   | 5,479,233,218                   |
| <b>EXPENDITURE</b>                                   |          |                                 |                                 |
| Materials consumed                                   | 15       | 4,144,868,137                   | 4,004,241,779                   |
| Employee's Emoluments                                | 16       | 103,030,824                     | 87,991,286                      |
| Other charges  | 17       | 876,062,146                     | 790,612,508                     |
| Interest and Finance charges                         | 18       | 138,714,205                     | 101,911,885                     |
| Depreciation   |          | 112,489,871                     | 109,007,576                     |
|  |          | 5,375,165,183                   | 5,093,765,034                   |
| <b>Profit before Tax</b>                             |          | 467,823,343                     | 385,468,184                     |
| Less: Provision for Current Tax                      |          | 181,000,000                     | 145,000,000                     |
| Less: Provision for Deferred Tax                     |          | (19,677,276 )                   | ( 18,500,891 )                  |
| Less: Provision for Fringe Benefit Tax               |          | 1,500,000                       | 870,000                         |
| <b>Profit after Tax</b>                              |          | 305,000,619                     | 258,099,075                     |
| Less: Short Provision for tax for earlier years      |          | 38,631,360                      | 6,217,166                       |
| Less: Previous Years Expenses/ Incomes( Net)         |          | (336,343 )                      | (1,185,810 )                    |
| Add: Balance in Profit and Loss account              |          | 349,977,077                     | 234,719,442                     |
| Available for appropriations                         |          | 616,682,679                     | 487,787,161                     |
| <b>APPROPRIATIONS</b>                                |          |                                 |                                 |
| Proposed Dividend                                    |          | 102,388,120                     | 92,149,308                      |
| Tax on Dividend                                      |          | 17,400,861                      | 15,660,775                      |
| General Reserve                                      |          | 35,000,000                      | 30,000,000                      |
| Balance carried to Balance Sheet                     |          | 461,893,698                     | 349,977,078                     |
|  |          | 616,682,679                     | 487,787,161                     |
| Earnings per Share of Rs 10 each (Basic and Diluted) |          | 26.05                           | 24.72                           |
| Notes forming part of Accounts                       | 19       |                                 |                                 |

As per our report of even date  
For & on behalf of

**Contractor, Nayak & Kishnadwala**  
Chartered Accountants

**S SRIDHAR**  
Chairman and Managing Director

**S SANTHANAM**  
Director

**H. V. KISHNADWALA**  
Partner  
MUMBAI,  
2<sup>nd</sup> June, 2008

**NARENDRA RAHALKAR**  
Company Secretary

## SCHEDULES TO THE ACCOUNTS

|  | AS ON<br>31.03.2008<br>Rs. | AS ON<br>31.03.2007<br>Rs. |
|--|----------------------------|----------------------------|
| <b>SCHEDULE 1: SHARE CAPITAL</b>   |                            |                            |
| <b>AUTHORISED:</b>   |                            |                            |
| 15,000,000 Equity shares of Rs. 10/- each  | 150,000,000                | 150,000,000                |
| 10,000,000 Unclassified shares of Rs. 10/- each  | 100,000,000                | 100,000,000                |
|  | 250,000,000                | 250,000,000                |
| <b>ISSUED:</b>   |                            |                            |
| 10,242,812 Equity shares of Rs.10 each   | 102,388,120                | 102,388,120                |
| <b>SUBSCRIBED AND PAID UP:</b>   |                            |                            |
| 10,238,812 Equity Shares of Rs.10 each   | 102,388,120                | 102,388,120                |
| Add: Amount paid up on forfeited shares  | 22,500                     | 22,500                     |
|  | 102,410,620                | 102,410,620                |
| <b>SCHEDULE 2: RESERVES AND SURPLUS</b>  |                            |                            |
| <b>1 SECURITIES PREMIUM ACCOUNT</b><br>Balance as per last Balance Sheet                                       | 375,468,156                | 375,468,156                |
| <b>2 AMALGAMATION RESERVE</b><br>Balance as per last Balance Sheet   | 1,870,920                  | 1,870,920                  |
| <b>3 CAPITAL RESERVE</b><br>Balance as per last Balance Sheet  | 2,500,000                  | 2,500,000                  |
| <b>4 GENERAL RESERVE</b><br>Balance as per last Balance Sheet<br>Add: Transferred from Profit and Loss account | 333,252,062<br>35,000,000  | 303,252,062<br>30,000,000  |
| <b>5 SURPLUS AS PER PROFIT AND LOSS ACCOUNT</b>  | 368,252,062<br>461,893,698 | 333,252,062<br>349,977,078 |
| <b>TOTAL</b>   | 1,209,984,836              | 1,063,068,216              |

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 3: SECURED LOANS

#### A FROM INSTITUTIONS

##### FOREIGN CURRENCY LOANS

Export Import Bank of India

Export Import Bank of India Pre/Post Shipment

##### RUPEE TERM LOANS

Export Import Bank of India

[The above Loans are secured by pari passu first mortgage and charge of all of the Borrower's immoveable and moveable fixed assets, both present and future]

#### B FROM SCHEDULED BANKS

a] Working Capital Demand Loan

b] Cash Credit/Export Credit Accounts

[Secured by hypothecation of stock of raw materials, work in progress, finished goods and book debts and secured by a second charge on all of the Company's immoveable fixed assets both present and future]

| AS ON<br>31.03.2008<br>Rs. | AS ON<br>31.03.2007<br>Rs. |
|----------------------------|----------------------------|
| 46,011,500                 | 99,843,000                 |
| 526,716,888                | 539,080,985                |
| 346,200,000                | -                          |
| 374,000,000                | -                          |
| 245,397,660                | 252,362,893                |
| <b>1,538,326,048</b>       | <b>891,286,878</b>         |
| 82,440,000                 | 115,274,000                |
| 100,000,000                | 200,000,000                |
| 242,336,257                | 226,700,218                |
| <b>424,776,257</b>         | <b>541,974,218</b>         |

### SCHEDULE 4: UNSECURED LOANS

Fixed Deposits

Short Term Loans from a Bank

Interest free Sales Tax Loan

[Guaranteed by Shri R Parthasarathy, Managing Director of the Company]

[Payable within one year Rs. 133,075,042 [prev. year Rs. 246,828,000]

### SCHEDULE 5: FIXED ASSETS

| PARTICULARS                           | GROSS BLOCK               |                    |                   | AS ON<br>31.03.2008<br>Rs. | DEPRECIATION              |                                 |                             | NET BLOCK                  |                            |                            |
|---------------------------------------|---------------------------|--------------------|-------------------|----------------------------|---------------------------|---------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
|                                       | AS ON<br>1.04.2007<br>Rs. | ADDITIONS<br>Rs.   | DEDUCTIONS<br>Rs. |                            | UPTO<br>31.03.2007<br>Rs. | RECOUPED<br>DEPRECIATION<br>Rs. | DURING<br>THE PERIOD<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
| LAND                                  | 2,772,329                 | 497,000            | -                 | 3,269,329                  | -                         | -                               | -                           | 3,269,329                  | 2,772,329                  |                            |
| BUILDINGS                             | 127,806,262               | -                  | -                 | 127,806,262                | 37,327,690                | -                               | 3,354,630                   | 40,682,320                 | 87,123,942                 | 90,478,572                 |
| PLANT AND MACHINERY                   | 2,269,139,514             | 44,708,894         | -                 | 2,313,848,408              | 1,391,706,189             | -                               | 96,798,466                  | 1,488,504,655              | 825,343,753                | 877,433,326                |
| R & D EQUIPMENT                       | 70,373,764                | 2,500,527          | -                 | 72,874,291                 | 3,315,069                 | -                               | 3,485,312                   | 6,800,381                  | 66,073,910                 | 67,058,694                 |
| WIND OPERATED GENERATORS              | -                         | 82,503,000         | -                 | 82,503,000                 | -                         | -                               | 3,161,927                   | 3,161,927                  | 79,341,073                 | -                          |
| COMPUTERS                             | 15,738,950                | 952,046            | -                 | 16,690,996                 | 13,082,225                | -                               | 1,202,742                   | 14,284,967                 | 2,406,029                  | 2,656,725                  |
| FURNITURE, FIXTURES AND<br>EQUIPMENTS | 40,915,880                | 5,656,915          | -                 | 46,572,795                 | 21,209,275                | -                               | 3,026,815                   | 24,236,090                 | 22,336,705                 | 19,706,605                 |
| VEHICLES                              | 8,845,973                 | 1,956,756          | 888,357           | 9,914,372                  | 4,494,415                 | 706,862                         | 1,459,979                   | 5,247,532                  | 4,666,840                  | 4,351,558                  |
| <b>TOTAL</b>                          | <b>2,535,592,672</b>      | <b>138,775,138</b> | <b>888,357</b>    | <b>2,673,479,453</b>       | <b>1,471,134,863</b>      | <b>706,862</b>                  | <b>112,489,871</b>          | <b>1,582,917,872</b>       | <b>1,090,561,581</b>       | <b>1,064,457,809</b>       |
| PREVIOUS YEAR                         | 2,490,430,671             | 47,051,045         | 1,889,044         | 2,535,592,672              | 1,363,696,918             | 1,569,631                       | 109,007,576                 | 1,471,134,863              | 1,064,457,809              | 1,126,733,754              |

## SCHEDULES TO THE ACCOUNTS

|  | AS ON<br>31.03.2008<br>Rs.  | AS ON<br>31.03.2007<br>Rs. |
|--|---|----------------------------|
| <b>SCHEDULE 6: INVESTMENTS [AT COST]</b>                     |   |                            |
| <b>LONG TERM</b>   |   |                            |
| <b>QUOTED: EQUITY SHARES (NON TRADE)</b>                     |   |                            |
| 3,044,800 of Rs.2 each                                       | - Ultramarine and Pigments Limited  | 53,775,623                 |
| 68,500   | - Quantum Digital Vision Limited  | 53,775,623                 |
| 10,000   | - Resins and Plastics Ltd.  | 68,500                     |
| 650  | - Andhra Petrochemicals Ltd.  | 300,000                    |
| 1,375  | - Nicholas Piramal India Ltd  | 10,026                     |
| 137  | - Piramal Life Science Limited  | 10,026                     |
| 4,000  | - Maruti Plastics Ltd   | 122,728                    |
| 9,150  | - Indu Nissan Oxo Chemical Ltd.   | 25,727                     |
| 100  | - Tata Power Ltd.   | 4,000                      |
| 100  | - Ganesh Anhydride Ltd.   | 9,150                      |
| 5000   | - Neyveli Lignite Corporation Limited   | 15,399                     |
| 62   | Gujarat Glass Limited {Prev. Kojam Fininvest Ltd.}                              | 100                        |
|  |   | 313,958                    |
|  |   | 620                        |
| <b>QUOTED: OTHERS (NON TRADE)</b>                            |   |                            |
| NIL (240)  | - Units of Unit Trust of India  | -                          |
|  | A   | 3,552                      |
|  |   | <hr/>                      |
|  | <b>54,645,831</b>   | 54,649,383                 |
|  | [Market value of Quoted Investments Rs.121,983,957<br>prev year Rs.134,113,179] |                            |
| <b>UNQUOTED (TRADE)</b>                                      |   |                            |
| 1,54,22,000  | Ordinary shares of RM 1 each<br>of TCL Industries(Malaysia) SDN BHD             | 182,769,550                |
| 5  | Shares of Kamer Co-operative Housing<br>Society Limited                         | 182,769,550                |
|  |   | 250                        |
| 200  | Shares of The Sarawat Co-operative Bank Ltd                                     | 250                        |
|  |   | 20,000                     |
|  | B   | <hr/>                      |
|  | <b>182,789,800</b>  | 182,789,800                |
|  | A+B   | <hr/>                      |
|  | <b>237,435,631</b>  | 237,439,183                |
| <b>SCHEDULE : 7 INVENTORIES</b>                              |   |                            |
| [As per inventory taken, valued and certified by a director] |   |                            |
| Stores and Spares  | 67,804,126  | 55,664,000                 |
| Fuel   | 8,419,346   | 3,456,773                  |
| Packing Materials  | 2,367,994   | 2,473,216                  |
| Raw Materials  | 498,923,015   | 375,212,918                |
| Finished Goods   | 259,114,000   | 408,450,000                |
| Work in Progress   | 99,727,000  | 45,508,000                 |
| Goods in Transit   | 24,567,137  | 356,262,353                |
| Catalyst   | 79,571,908  | 80,145,941                 |
| Stock of Trading Items                                       | 398,068   | 15,190,244                 |
|  | <hr/>   | <hr/>                      |
|  | <b>1,040,892,594</b>  | 1,342,363,445              |
|  | <hr/>   | <hr/>                      |

## SCHEDULES TO THE ACCOUNTS

|   | AS ON<br>31.03.2008<br>Rs. | AS ON<br>31.03.2007<br>Rs. |
|---|----------------------------|----------------------------|
| <b>SCHEDULE 8: SUNDRY DEBTORS</b>                                   |                            |                            |
| [Unsecured Considered Good]   |                            |                            |
| Debts outstanding for a period exceeding six months                 | 168,434,003                | 5,377,922                  |
| Other Debts   | 1,388,794,686              | 1,453,596,269              |
|   | 1,557,228,689              | 1,458,974,191              |
| <b>SCHEDULE 9: CASH AND BANK BALANCES</b>                           |                            |                            |
| Cash in hand  | 202,711                    | 170,976                    |
| Margin money  | -                          | 142,333                    |
| Balance with scheduled banks In Current Accounts                    | 17,013,278                 | 31,397,804                 |
|   | 17,215,989                 | 31,711,113                 |
| <b>SCHEDULE 10: LOANS AND ADVANCES</b>                              |                            |                            |
| [Unsecured Considered Good]   |                            |                            |
| Advances recoverable in cash or in kind or for value to be received | 147,553,845                | 125,527,171                |
| Taxes Paid in Advance ( Net of provision for tax)                   | 60,791,398                 | 105,116,548                |
| Deposits with Companies   | 39,660,000                 | 43,040,000                 |
| Balance with Customs and Excise                                     | 105,835,819                | 116,939,863                |
|   | 353,841,062                | 390,623,582                |
| <b>SCHEDULE 11: CURRENT LIABILITIES</b>                             |                            |                            |
| Acceptances by banks  | 258,616,165                | 963,925,915                |
| Sundry Creditors - Due to Small and Micro Enterprises               | 3,359,326                  | 8,743,013                  |
| - Due to Enterprises other than above                               | 440,900,827                | 530,533,997                |
| Unpaid Dividend*  | 3,471,948                  | 2,952,258                  |
| Unpaid Matured Deposits*  | 929,000                    | 1,426,000                  |
| Unpaid Matured Debentures*  | 1,155,914                  | 1,476,859                  |
| Interest Accrued on Unpaid amounts *                                | 1,017,978                  | 1,357,973                  |
| Deposits from Stockists and Others                                  | 7,535,320                  | 6,472,700                  |
| Interest Accrued but not due on loans                               | 6,746,382                  | 7,695,928                  |
|   | 723,732,860                | 1,524,584,643              |
| <br>  |                            |                            |
| *See Note 18 of Schedule 19   |                            |                            |
| <b>SCHEDULE 12: PROVISIONS</b>                                      |                            |                            |
| Provision for gratuity  | 34,926,235                 | 16,755,887                 |
| Provision for leave encashment                                      | 9,235,544                  | 4,572,145                  |
| Proposed Dividend   | 102,388,120                | 92,149,308                 |
| Provision for tax on dividend                                       | 17,400,861                 | 15,660,775                 |
|   | 163,950,760                | 129,138,115                |

**SCHEDULES TO THE ACCOUNTS**

|  | YEAR ENDED<br>31.03.2008<br>Rs. | YEAR ENDED<br>31.03.2007<br>Rs. |
|--|---------------------------------|---------------------------------|
| <b>SCHEDULE 13: OTHER INCOME</b>               |                                 |                                 |
| Interest[Gross]                                | -                               | -                               |
| From Banks                                     | -                               | -                               |
| From Others                                    | 11,640,902                      | 4,167,936                       |
| [TDS Rs. 136,596 ( Prev. Year 119,394 ) ]      |                                 |                                 |
| Rent received                                  | 1,987,930                       | 1,448,627                       |
| Dividend received-On Long Term Investments     | 1,553,163                       | 15,862,159                      |
| On Current Investments                         | 81,939                          | 120,019                         |
| Sundry Receipts                                | 18,625,919                      | 10,174,764                      |
| Storage Tank Receipts                          | 14,736,389                      | 13,207,012                      |
| Profit on sale of assets (Net)                 | -                               | 305,986                         |
| Insurance Claims                               | 10,036,094                      | 3,006,425                       |
|  | <b>58,662,336</b>               | <b>48,292,928</b>               |
| <b>SCHEDULE 14: VARIATION IN STOCKS</b>        |                                 |                                 |
| Opening Stock:                                 |                                 |                                 |
| Finished Goods                                 | 408,450,000                     | 386,639,000                     |
| Work in Progress                               | 45,508,000                      | 62,974,000                      |
|  | <b>453,958,000</b>              | <b>449,613,000</b>              |
| Closing Stock:                                 |                                 |                                 |
| Finished Goods                                 | 259,114,000                     | 408,450,000                     |
| Work in Progress                               | 99,727,000                      | 45,508,000                      |
|  | <b>358,841,000</b>              | <b>453,958,000</b>              |
| Variation in Stocks                            | <b>(95,117,000)</b>             | <b>4,345,000</b>                |
| <b>SCHEDULE 15: MATERIALS CONSUMED</b>         |                                 |                                 |
| Stock at commencement                          | 375,212,918                     | 353,373,480                     |
| Add: Purchases                                 | 4,272,038,848                   | 4,027,180,274                   |
|  | <b>4,647,251,766</b>            | <b>4,380,553,754</b>            |
| Less: Sales                                    | 3,460,614                       | 1,099,057                       |
| Less: Stock at close                           | 498,923,015                     | 375,212,918                     |
|  | <b>4,144,868,137</b>            | <b>4,004,241,779</b>            |
| <b>SCHEDULE 16: EMPLOYEE'S EMOLUMENTS</b>      |                                 |                                 |
| Salaries, Wages Bonus, etc                     | 82,972,967                      | 70,188,372                      |
| Contribution to Provident Fund and Other Funds | 9,855,211                       | 8,702,234                       |
| Staff Welfare expenses                         | 10,202,646                      | 9,100,680                       |
|  | <b>103,030,824</b>              | <b>87,991,286</b>               |

**SCHEDULES TO THE ACCOUNTS**

|   | YEAR ENDED<br>31.03.2008<br>Rs. | YEAR ENDED<br>31.03.2007<br>Rs. |
|---|---------------------------------|---------------------------------|
| <b>SCHEDULE 17: OTHER CHARGES</b>                         |                                 |                                 |
| Purchase(Trading)   | 60,893,388                      | 75,578,955                      |
| Stores and Spares consumed                                | 25,671,792                      | 32,301,992                      |
| Catalyst written off                                      | 66,314,585                      | 30,374,901                      |
| Effluent Treatment and Water Treatment Materials consumed | 5,618,019                       | 2,452,490                       |
| Power and Fuel  | 151,718,920                     | 129,421,584                     |
| Excise Duty on Stock                                      | (32,752,693)                    | 2,892,708                       |
| Water Charges   | 3,428,326                       | 3,150,930                       |
| Repairs to:   |                                 |                                 |
| Machinery   | 17,421,285                      | 12,743,198                      |
| Buildings   | 10,103,695                      | 5,717,554                       |
| Others  | 1,768,228                       | 1,673,951                       |
| Packing expenses and materials consumed                   | 60,451,462                      | 59,042,331                      |
| Freight and Forwarding                                    | 253,698,083                     | 218,359,305                     |
| Sales Tax   | 91,540,763                      | 94,025,581                      |
| Commission and Brokerage                                  | 21,529,899                      | 19,329,778                      |
| Advertisement and Sales Promotion                         | 316,591                         | 683,131                         |
| Rent  | 181,000                         | 276,000                         |
| Lease Rentals   | 2,584,492                       | 2,584,492                       |
| Rates and Taxes   | 433,690                         | 719,689                         |
| Insurance   | 14,829,070                      | 15,105,847                      |
| Travelling and Conveyance                                 | 9,203,381                       | 6,034,700                       |
| Communication Expenses                                    | 3,490,390                       | 3,404,427                       |
| Research and development expenses                         | 13,399,649                      | 16,314,372                      |
| Miscellaneous Expenses                                    | 31,096,621                      | 29,418,518                      |
| Legal and Professional Charges                            | 6,115,888                       | 5,020,511                       |
| Directors Remuneration                                    | 50,362,008                      | 12,065,964                      |
| Diminution in value of Investments                        | -                               | 154,634                         |
| Exchange Fluctuation Loss ( Net)                          | 5,696,499                       | 474,232                         |
| Loss on Sales of Assets                                   | 2,598,470                       | -                               |
| Bad debts and Sundry balances written off ( Net)          | (1,651,355)                     | 11,290,733                      |
|   | 876,062,146                     | 790,612,508                     |
| <b>SCHEDULE 18: INTEREST AND FINANCE CHARGES</b>          |                                 |                                 |
| On Fixed Loans  | 98,905,924                      | 68,768,779                      |
| On Others   | 39,808,281                      | 33,143,106                      |
| <b>TOTAL</b>  | 138,714,205                     | 101,911,885                     |

## NOTES FORMING PART OF ACCOUNTS

### SCHEDULE 19 : NOTES TO ACCOUNTS

#### 1 Contingent Liability in respect of:

|   | As on<br>2007-08<br>Rs.  | As on<br>2006-07<br>Rs. |
|---|--------------------------|-------------------------|
| a) Estimated amount of contracts to be executed on capital account and not provided for Against which advances paid | 99,412,017<br>31,377,901 | -<br>-                  |
| b) Counter Guarantees to Banks  | 41,080,800               | 45,515,880              |
| c) Bond in favour of excise authorities   | 300,000                  | 300,000                 |

#### 2 Claims against the Company not acknowledged as debts and not provided for

|            |     |
|------------|-----|
| <b>NIL</b> | NIL |
|------------|-----|

3 a) The Excise authorities have in their show cause notices questioned the company's claim for Modvat on certain items acquired for the expansion project amounting to Rs. 4,921,167 (Previous year Rs.9,439,889). The company has paid Rs. 1,800,000 (Previous Year Rs. 1,800,000) against the same which are shown under the head Advances. The company is contesting the said notices and does not expect any liability to crystallize on this account.

b) The Sales Tax authorities have issued notices to the Company whereby the authorities have disputed the method of availment of deferral sales tax on monthly pro-rata basis for the period April 2000 to April 2006 amounting to Rs.7,537,505 (Previous year Rs. Nil). The Company has filed a writ petition against these notices in the High Court. The Company does not expect any liability to crystallize on this account.

4 The company has received a demand of Rs.99,363,453 ( Previous Year Rs.99,363,453 ) from enforcement directorate toward alleged non submission of bill of entries for imports in earlier years. However the Company has received letters from the concerned banks as well as Reserve Bank of India accepting that the said omission was not on the part of the Company. The appeal filed by the Company before the appellate tribunal was dismissed on limitation grounds. The Company has filed an appeal against the said order of the appellate tribunal as well as a writ petition to quash the proceedings, before the Hon'ble High Court at Bombay. The Hon'ble Court was of the opinion that the appeal was not maintainable and hence the Company withdrew the appeal. The Hon'ble Court directed the Company to proceed with the Writ petition which the Company had already filed. The Hon'ble Court has directed the Respondents not to initiate recovery proceedings against the Company and to maintain status quo. The Company does not expect any liability to crystallize on this account.

5 No provision has been made in respect of disputed demands from Income-tax Authorities to the extent of Rs. 114,826,653 (Prev. Year Rs.100,659,821) since the Company has reasons to believe that it would get relief at the appellate stage as the said demands are excessive and erroneous. Against the above, the company has already paid Rs. 80,318,152 (Previous Year Rs.99,345,607)

6 Sales is net of cash discount Rs. 1,55,320 (Prev. Year Rs. 236,325)

7 Particulars in respect of goods manufactured

|                    | Licensed Capacity<br>(MTs) |         | @ Installed Capacity<br>(MTs) |         | Production<br>(MTs) |          |
|--------------------|----------------------------|---------|-------------------------------|---------|---------------------|----------|
|                    | 2007-08                    | 2006-07 | 2007-08                       | 2006-07 | 2007-08             | 2006-07  |
| Phthalic Anhydride | N.A                        | N.A     | 110,000*                      | 100,000 | 87,336              | 74,868   |
| Maleic Anhydride   | N.A                        | N.A     | 17,750                        | 17,750  | 1,937**             | 10,330** |
| Food Acids         | N.A                        | N.A     | 17,000                        | 17,000  | 5,606               | 6,179    |
| Pthalate Esters    | -                          | -       | 6,000                         | 6,000   | 5,462               | 4,023    |

\* With effect from 23/03/2008

\*\* Excludes purchase from others 1,575 MTs (Previous Year 210 MTs.)

@ As certified by a Managing Director

**NOTES FORMING PART OF ACCOUNTS**
**8 Particulars in respect of Stocks and Sales**
**a] Sales :**

|                    | 2007-2008       |                      | 2006-2007       |                      |
|--------------------|-----------------|----------------------|-----------------|----------------------|
|                    | Quantity [MTs.] | Value [Rs.]          | Quantity [MTs.] | Value [Rs.]          |
| Phthalic Anhydride | 84,174*         | 5,541,588,455        | 72,015*         | 4,723,908,039        |
| Maleic Anhydride   | 1,882**         | 155,271,443          | 8,538**         | 620,133,386          |
| Food Acids         | 6,068***        | 373,483,591          | 5,854***        | 382,343,591          |
| Pthalate Esters    | 5,392****       | 424,415,510          | 3,962****       | 314,093,385          |
| Others             | —               | 3,063,725            | —               | 857,802              |
|                    |                 | <b>6,497,822,724</b> |                 | <b>6,041,336,203</b> |

\* Excluding 4,652 MTs. [Pre. year 3,441 MTs.] captive consumption

\*\* Excluding 1,735 MTs. [Pre. Year 2,554 MTs.] captive consumption

\*\*\* Excluding 10 MTs. [Pre. year 12 MTs.] captive consumption

\*\*\*\* Excluding 21 MTs. captive consumption [Pre. year 17 MTs.]

**b] Opening Stocks**

|                    | 2007-08         |                    | 2006-07         |                    |
|--------------------|-----------------|--------------------|-----------------|--------------------|
|                    | Quantity [MTs.] | Value [Rs.]        | Quantity [MTs.] | Value [Rs.]        |
| Phthalic Anhydride | 5,180           | 311,902,000        | 5,768           | 286,459,000        |
| Maleic Anhydride   | 634             | 46,544,000         | 1,186           | 75,340,000         |
| Food Acids         | 614             | 29,603,000         | 301             | 10,063,000         |
| Pthalate Esters    | 306             | 20,401,000         | 262             | 14,777,000         |
|                    |                 | <b>408,450,000</b> |                 | <b>386,639,000</b> |

**c] Closing Stocks**

|                    | 2007-08         |                    | 2006-07         |                    |
|--------------------|-----------------|--------------------|-----------------|--------------------|
|                    | Quantity [MTs.] | Value [Rs.]        | Quantity [MTs.] | Value [Rs.]        |
| Phthalic Anhydride | 3,690           | 217,868,000        | 5,180           | 311,902,000        |
| Maleic Anhydride*  | 79              | 5,924,000          | 634             | 46,544,000         |
| Food Acids         | 142             | 13,315,000         | 614             | 29,603,000         |
| Pthalate Esters    | 355             | 22,007,000         | 306             | 20,401,000         |
|                    |                 | <b>259,114,000</b> |                 | <b>408,450,000</b> |

\* Excludes purchased from others 450 MTs (Prev. Year NIL) valued at Rs. 24,415,000 (Prev. Year Rs. NIL)

**d Trading stocks**
**i] Chemicals , Dyes and Dye Stuffs**

|               | 2007- 08        |             | 2006- 07        |             |
|---------------|-----------------|-------------|-----------------|-------------|
|               | Quantity [MTs.] | Value [Rs.] | Quantity [MTs.] | Value [Rs.] |
| Opening Stock | ---             | ---         | ---             | ---         |
| Purchase      | 3.925           | 363,562     | 12.100          | 1,067,743   |
| Sales         | 3.925           | 536,417     | 12.100          | 1,785,765   |
| Closing Stock | ---             | ---         | ---             | ---         |

**ii] Machinery items**

|               |  |            |  |            |
|---------------|--|------------|--|------------|
| Opening Stock |  | 15,190,244 |  | ---        |
| Purchases     |  | 45,737,650 |  | 89,701,456 |
| Sales         |  | 78,610,152 |  | 81,363,055 |
| Closing Stock |  | 398,068    |  | 15,190,244 |

**9. Raw Material Consumed**

|             | 2007-08         |                      | 2006-07         |                      |
|-------------|-----------------|----------------------|-----------------|----------------------|
|             | Quantity [MTs.] | Value [Rs.]          | Quantity [MTs.] | Value [Rs.]          |
| Orthoxylene | 81,433          | 3,892,140,966        | 67,899          | 3,375,344,438        |
| Benzene     | 1,864           | 94,242,670           | 12,255          | 552,991,101          |
| Others      | -               | 158,484,501          |                 | 75,906,240           |
|             |                 | <u>4,144,868,137</u> |                 | <u>4,004,241,779</u> |

**Details of Imported and Indigenous Raw Materials and Stores consumed**

|            | 2007-2008            |               |                   |               | 2006-2007            |               |                   |               |
|------------|----------------------|---------------|-------------------|---------------|----------------------|---------------|-------------------|---------------|
|            | Raw Materials        |               | Stores and Spares |               | Raw Materials        |               | Stores and Spares |               |
|            | Value [Rs]           | %             | Value [Rs]        | %             | Value [Rs]           | %             | Value [Rs]        | %             |
| Imported   | 2,569,110,052        | 61.98         | 1,496,209         | 5.83          | 134,793,277          | 3.37          | 3,171,923         | 9.82          |
| Indigenous | 1,575,758,085        | 38.02         | 24,175,583        | 94.17         | 3,869,448,502        | 96.63         | 29,130,069        | 90.18         |
|            | <u>4,144,868,137</u> | <u>100.00</u> | <u>25,671,792</u> | <u>100.00</u> | <u>4,004,241,779</u> | <u>100.00</u> | <u>32,301,992</u> | <u>100.00</u> |

**10 Value of Imports on C.I.F. Basis**

| Particulars   | 2007-08<br>Rs. | 2006-07<br>Rs. |
|---|----------------|----------------|
| I] Raw Materials  | 2,854,104,743  | 152,336,979    |
| II] Spare parts and others  | 12,806,944     | 3,171,913      |
| III] Capital goods  | 74,380,437     | 2,482,404      |
| 11 Expenditure in Foreign Currency  | 2,429,145      | 736,140        |
| 12 a] Remittance in Foreign Currencies on account of Dividends to Non-Resident Shareholders.          | NIL            | NIL            |
| b] Earnings in Foreign Exchange on export of goods calculated on FOB Basis                            | 915,002,452    | 852,405,595    |
| 13 a] Sundry debtors includes due from a private company in which some directors are also directors.  | 168,083,064    | 84,558,729     |
| b] Loans and advances includes due from a private company in which some directors are also directors. | 42,102,983     | 46,347,542     |

14 During the year the Company acquired and redeemed the following units :

**Descriptions**

LIC MF liquid fund – dividend plan

| 2007-08 (Nos) | 2006-07 (Nos)  |
|---------------|----------------|
| 4,369,899.991 | 11,577,309.761 |

15 Capital Work in Progress includes Interest capitalized Rs. 998,083 Salaries & Wages Rs. 8,118,207 & Travelling Expenses Rs. 737,405.

16 a) Computation of Directors Remuneration

Profit as per Profit & Loss Account  
 Add: Directors Remuneration  
 Provision for Taxation-Current  
 Provision for Taxation- Deferred  
 Loss on Sale of Assets  
 Diminution in value of investments  
 Directors Fees

| 2007 – 2008<br>RS. | 2006 - 2007<br>Rs. |
|--------------------|--------------------|
| 305,000,618        | 258,099,075        |
| 50,362,008         | 12,065,964         |
| 181,000,000        | 145,000,000        |
| (19,677,276)       | (18,500,891)       |
| 2,598,470          | —                  |
| —                  | 154,634            |
| 1,100,000          | 720,000            |
| <b>520,383,820</b> | <b>397,874,182</b> |
| -                  | 305,986            |
| <b>520,383,820</b> | <b>397,568,196</b> |

Less : Profit on sale of Assets

Commission payable @ 1 % of Net Profit to each of the Managing Directors (upto July 2007)  
 Commission @ 3% payable to the Managing Directors (for the period August 2007 to March 2008 )  
 Commission @ 1% payable to the Non Executive Directors Restricted to

|            |           |
|------------|-----------|
| 3,469,225  | 7,951,364 |
| 20,815,353 | -         |
| 5,203,838  | -         |
| 3,450,000  | -         |

Commission payable in terms of appointment as under  
 S. Sridhar  
 R. Parthasarathy  
 Non Executive Directors

|                   |                  |
|-------------------|------------------|
| 12,142,289        | 3,975,682        |
| 12,142,289        | 3,975,682        |
| 3,450,000         | -                |
| <b>27,734,578</b> | <b>7,951,364</b> |

b) Remuneration paid as per agreement between the Directors and the Company  
 Salary  
 Commission  
 Contribution to provident fund and other funds  
 Provision for gratuity and leave encashment  
 Perquisites

|                   |                   |
|-------------------|-------------------|
| 5,526,000         | 1,980,000         |
| 24,284,578        | 7,951,364         |
| 1,492,020         | 534,600           |
| 11,876,076        | 2,600,600         |
| 3,733,334         | 1,600,000         |
| <b>46,912,008</b> | <b>14,666,564</b> |

17 Interest paid on Fixed Loans include paid on Loans from Managing Directors

|         |         |
|---------|---------|
| 269,763 | 463,616 |
|---------|---------|

18 Sundry Creditors include dues to micro and small enterprises to whom the company owes amounts. The above information regarding micro and small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors. The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006. The details are as follows.

|  | 2007 – 08<br>Rs.             | 2006 – 07<br>Rs.     |
|--|------------------------------|----------------------|
| a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year  | <b>3,308,848</b>             | 8,743,013            |
| b. The amount of interest paid by the buyer in the terms of Sec. 16 of the Micro, Small and Medium Enterprises Development Act, 2006 alongwith the amount of payment made to the supplier beyond the appointed day during each accounting year.  | -                            | -                    |
| c. The amount of interest due and payable for the period of delay in making payment ( Which have been paid but beyond the appointed day during the year ) without adding the interest s pecified under the Micro, Small and Medium Enterprises Development Act, 2006.  | <b>50,478</b>                | -                    |
| d. The amount of interest due accrued and remaining unpaid at the end of each accounting year.   | <b>464,745</b>               | -                    |
| e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as deductible expenditure u/s 23 of Micro, Small, Medium Enterprises Development Act, 2006. | -                            | -                    |
| 19 Unpaid dividend, unpaid matured deposits, unpaid matured debentures and interest accrued thereon (Included in Current Liabilities - Schedule 11) represent amounts to be credited to the Investor Education and Protection Fund as and when they become due.  |                              |                      |
| 20 Miscellaneous expenses/Legal & Professional charges includes payments to Statutory Auditors as follows:   |                              |                      |
| Particulars  | <b>2007 – 2008<br/>(Rs.)</b> | 2006 – 2007<br>(Rs.) |
| Audit fees   | <b>450,000</b>               | 400,000              |
| For Certification  | <b>180,000</b>               | 150,000              |
| For Taxation matters   | <b>60,000</b>                | 50,000               |
| For Tax Audit  | <b>100,000</b>               | 100,000              |
| For Other Services   | <b>10,000</b>                | —                    |
| Service Tax  | <b>98,880</b>                | 86,292               |
| Out of Pocket expenses   | <b>1,650</b>                 | 4,200                |
|  | <b>900,530</b>               | 790,492              |

21 As the Company's business activities fall within single segment viz Chemicals., the disclosure requirements of Accounting Standard 17 " Segment Reporting" is not applicable.

22 The break up of Deferred tax assets and liabilities & the effect on the Profit are as under:-

| Nature of timing difference          | Deferred tax Asset / Liability<br>as at 1.4.2007 | Credit for the Current Year<br>credited to Profit and Loss<br>Account. | Deferred Tax Asset /<br>Liability as at<br>31.03.2008 |
|--------------------------------------|--|--|---|
|                                      | Rs.  | Rs   | Rs  |
| a) Deferred Tax Liabilities          |  |  |   |
| (i) Depreciation.                    | 281,669,355                                      | (5,113,412)  | 276,555,944   |
| (ii) Amortised expenses.             | 4,506,780  | (2,684,038)  | 18,22,742   |
| TOTAL                                | 286,176,135                                      | (7,797,450)  | 278,378,686   |
| b) Deferred Tax Assets.              |  |  |   |
| (i) Items covered u/s 43B/40(a)(ia). | 2,626,754  | 5,772,840  | 8,399,594   |
| (ii) Gratuity.                       | 5,695,326  | 6,176,101  | 11,871,427  |
| (iii) Amalgamation Expenses          | 207,346  | (69,115)   | 138,231   |
| TOTAL                                | 8,529,426  | 11,879,826   | 20,409,252  |
| Deferred Tax Liabilities (Net)       | 277,646,709                                      | (19,677,276)   | 257,969,434   |

**23 EARNING PER SHARE (EPS)**

The basic and Diluted EPS is calculated as under:

| Particulars                                     | 2007-08     | 2006-07     |
|---|-------------|-------------|
| Profit attributable to Equity Shareholders (Rs) | 266,705,601 | 253,067,719 |
| No. of equity shares (of Rs 10 each)            | 10,238,812  | 10,238,812  |
| Earnings Per Share                              | 26.05       | 24.72       |

**24 A Related Party Disclosures :**

Related Party Disclosures as required by Accounting Standard 18 is as follows

- a) Companies in which the company has substantial interest (i.e. more than 20% in voting power directly or indirectly).

Ultramarine and Pigments Ltd.,  
TCL Industries (Malaysia) Sdn. Bhd

- b) Managing Directors

Mr. S.Sridhar  
Mr. R.Parthasarathy

- c) Key Management Personnel

Mr. S. Somasundaram ( up to 19.12.2007 )  
Mr. S.V.S.Ramaraju – President ( From 28.01.2008 )

- d) Relatives of Directors

Ms. V. Jaya  
Mr. S. Varadharajan

**B Details of transactions with above parties :**

| Particulars                                   | Companies in which the company has substantial interest<br>Rs. | Directors of the Company and their relatives<br>Rs. | Total<br>Rs.                 |
|---|--|---|------------------------------|
| Purchase of goods                             | 31,937,881<br>( 45,091,240)                                    |   | 31,937,881<br>(45,091,240)   |
| Sale of goods                                 | 82,063,291<br>(82,674,267)                                     |   | 82,063,291<br>(82,674,267)   |
| Expenses recharged by Company                 | 5,133,129<br>(5,497,053)                                       |   | 5,133,129<br>(5,497,053)     |
| Expenses recharged by them                    | 942,225<br>(111,575)   |   | 942,225<br>(111,575)         |
| Rendering of services                         | 81,267<br>(358,925)  | 12,000<br>(12,000)                                  | 93,267<br>(370,925)          |
| Outstanding payables                          | 266,186<br>(2,490,618)   |   | 266,186<br>(2,490,618)       |
| Outstanding receivables                       | 168,452,808<br>(84,558,729)                                    |   | 168,452,808<br>(84,558,729)  |
| Deposit taken                                 | 181,738,233<br>(196,309,059)                                   |   | 181,738,233<br>(196,309,059) |
| Interest Expenses on deposit taken            | 12,496,463<br>(4,824,924)                                      | 2,059,811<br>(3,210,875)                            | 14,556,274<br>(8,035,799)    |
| Interest Income on deposit given and extended | 10,647,193   |   | 10,647,193                   |
| credit for equipment supply.                  | (3,307,542)  |   | (3,307,542)                  |
| Outstanding deposit receivable                | 42,102,983<br>(46,347,542)                                     |   | 42,102,983<br>(46,347,542)   |
| Outstanding deposit payable                   | 1,400,000<br>(1,400,000)                                       | 14,671,000<br>(31,297,000)                          | 16,071,000<br>(32,697,000)   |

C i) Details of remuneration paid to Managing Directors is as per Note 16 (b) above

ii) Remuneration paid to Key Management Personnel Rs. 1,949,640 (Rs.13,25,488)

iii) Remuneration paid to relatives of Directors Rs. 1,154,133 (Rs.863,871)

iv) Meeting fees paid to Directors Rs.1,100,000 (Rs.720,000)

**D DISCLOSURE IN RESPECT OF MATERIAL RELATED PARTY TRANSACTIONS DURING THE YEAR**

- a] Purchase of Goods from Ultramarine and Pigments Rs.31,937,881(Rs.45,091,240)
- b] Sale of Goods to TCL Industries (M) Sdn Bhd Rs.82,063,291( Rs.82,667,718), Ultramarine and Pigments Limited Nil (Rs.6,549)
- c] Expenses Recharged from Ultramarine and Pigments Limited Rs.2,451,298( Rs.1,626,392) TCL Industries (M) Sdn Bhd Rs.2,681,831(Rs.3,871,111)
- d] Expenses Recharged by Ultramarine and Pigments Limited Rs.942,225( Rs.111,575)
- e] On rendering of services from Mr. R Parthasarathy Rs.12,000 ( Rs.12,000) Ultramarine and Pigments Limited Rs.81,267 (Rs.358,925)
- f] Outstanding payables to Ultramarine & Pigments Limited Rs. 266,186 ( Rs. 2,490,618)
- g] Outstanding receivable from TCL Industries (M ) Sdn Bhd Rs.168,083,064 ( Rs.84,307,862), from Ultramarine & Pigments Limited Rs.369,744 (Rs.250,867)
- h] Deposits taken from Ultramarine & Pigments Limited Rs.181,738,233 (Rs.196,309,059)
- i] Interest expenses on deposits taken from Ultramarine & Pigments Limited Rs. 12,496,463 ( Rs. 4,824,924), from Mr. R. Sampath Rs.258,451 ( Rs.327,593), from Ms.Indira Dilip Thakkar Rs. 313,856 ( Rs. NIL), from Ms. Mitali Rohit Lakhanpal Rs. 331,566 ( Rs.332,015)
- j] Interest income from TCL Industries (M ) Sdn Bhd Rs.10,647,193 (Rs.3,307,542)
- k] Outstanding deposits receivable from TCL Industries (M ) Sdn Bhd Rs.42,102,983 (Rs.46,347,542)
- l] Outstanding deposits payable to Ultramarine & Pigments Limited Rs.1,400,000 ( Rs.1,400,000 ), to Mr. R.Sampath Rs.2,500,000 ( Rs.3,250,000), from Ms.Indira Dilip Thakkar Rs. 3,450,000 ( Rs. NIL), from Ms. Mitali Rohit Lakhanpal Rs.3,650,000 ( Rs.3,450,000)
- m] Remuneration paid to Key Management Personnel Mr.S.V.S.Ramaraju Rs.372,020 ( Rs.Nil) , to Mr. S.Somasundaram Rs.1,577,620 ( Rs.1,325,488)
- n] Remuneration paid to relative of Directors Ms.V.Jaya Rs. 408,863 (Rs.338,957) , to Mr.S.Varadharajan Rs.745,270 (Rs.524,914)

**25 a] DISCLOSURES AS REQUIRED BY AS 27 FINANCIAL REPORTING OF INTEREST IN JOINT VENTURE**

The company has investments in a jointly controlled entity as per the following details

- a) Name and Country of Incorporation : TCL Industries ( Malaysia) SDN BHD, Malaysia
- b) Proportion of ownership interest : 39.93%
- c) Loan given : Rs. 39,660,000 (Prev. Year Rs. 43,040,000)
- d) Proportionate share for the year ended 31<sup>st</sup> December, 2007 in respect of :

| Particulars | 2007 – 2008<br>(Rs.) | 2006 – 2007<br>(Rs.) |
|-------------|----------------------|----------------------|
| Assets      | 712,810,694          | 579,037,779          |
| Liabilities | 697,783,171          | 470,109,482          |
| Income      | 24,077,670           | 264,875,863          |
| Expenses    | 110,054,571          | 323,604,172          |

**b] DISCLOSURES AS REQUIRED UNDER CLAUSE 32 OF THE LISTING AGREEMENT**
**Loans and Advances Include**

Amount receivable from Associates

| Particulars                                    | 2007 – 2008<br>(Rs.) | 2006 – 2007<br>(Rs.) |
|--|----------------------|----------------------|
| TCL Industries (Malaysia) SDN BHD              | 42,102,983           | 46,347,542           |
| Maximum amount due at any time during the year | 43,040,000           | 47,100,000           |

**Sundry Debtors Include**

Amount receivable from Associates

|  |             |            |
|--|-------------|------------|
| TCL Industries (Malaysia) SDN BHD              | 168,083,064 | 84,307,862 |
| Maximum amount due at any time during the year | 168,083,064 | 84,307,862 |

26 The Company has spent during the year Rs.15 ,900,176 (Prev. Year Rs. 20,900,013) towards Research and Development Project details of which are as under

| Particulars  | 2007 – 2008<br>(Rs.) | 2006 – 2007<br>(Rs.) |
|--------------|----------------------|----------------------|
| Capital      | 2,500,527            | 4,585,641            |
| Revenue      | 13,399,649           | 16,314,372           |
| <b>Total</b> | <b>15,900,176</b>    | <b>20,900,013</b>    |

27 The Company has an investment of Rs.182,769,550 in ordinary shares of TCL Industries (Malaysia) Sdn Bhd (TCLM). The company has also given a loan of USD 1 million to TCLM. TCLM has been making losses on the manufacture of Maleic Anhydride due to the high prices of Benzene feedstock and as on 31<sup>st</sup> December 2007 its net worth has been eroded. In January, 2008 TCLM has successfully commissioned its plant for manufacture of Maleic Anhydride from Butane instead of from Benzene. This is expected to make TCLM competitive with other manufacturers of Maleic Anhydride. Due to this, TCLM expects to turn around in the near future. In addition, TCLM is negotiating for reschedulement/waiver of some of its borrowings. No provision for diminution in the value of investments is therefore considered necessary at this stage.

**28 Disclosures in accordance with Revised accounting standard (AS) – 15 on “ Employee Benefits :**

AS – 15 (Revised 2005) on “Employee Benefits” has been adopted by the Company effective from April 1, 2007. The disclosures are as required by the said AS are given hereunder.

**I. Defined Contribution Plans :**

The Company has recognized the following amounts in the Profits and Loss Account for the year :

| Particulars  | 2007-2008<br>(Rs.) | 2006-2007<br>(Rs.) |
|--|--------------------|--------------------|
| (i) Contribution to Employees' Provident Fund        | 7,216,012          | 6,021,219          |
| (ii) Contribution to Employees' State Insurance Fund | 1,115,865          | 1,174,418          |
| (iii) Contribution to Employees' Superannuation Fund | 4,030,955          | 2,808,274          |
| <b>Total</b>   | <b>12,362,832*</b> | <b>10,003,911*</b> |

\* Rs.1,015,601 ( Rs. 767,077) included in Research and Development Expenses.

**II. Defined Benefit Plans :**

(i) Gratuity is payable to all the members at the rate of 15 days salary for each year of service

**1. Changes in the Present Value of Obligation in respect of gratuity benefits**

|   | For the Year Ended<br>March 31, 2008 |
|---|--------------------------------------|
| a) Present Value of Obligation as at April 1, 2007  | 16,232,743                           |
| b) Interest Cost                                    | 1,313,455                            |
| c) Past Service Cost                                | NIL                                  |
| d) Current Service Cost                             | 1,341,090                            |
| e) Current Cost/ (Credit)                           | NIL                                  |
| f) Settlement Cost/ (Credit)                        | NIL                                  |
| g) Benefits Paid                                    | (2,311,305)                          |
| h) Actuarial (Gain) / Loss                          | 18,350,252                           |
| i) Present Value of Obligation as at March 31, 2008 | 34,926,235                           |

**2. Expenses recognized in the Profit and Loss Account in respect of gratuity benefits**

|   | For the Year Ended<br>March 31, 2008 |
|---|--------------------------------------|
| a) Current Service Cost                             | 1,341,090                            |
| b) Past Service Cost                                | NIL                                  |
| c) Interest Cost                                    | 1,313,455                            |
| d) Curtailment Cost / (Credit)                      | NIL                                  |
| e) Settlement Cost/ (Credit)                        | NIL                                  |
| f) Net Actuarial (Gain)/ Loss                       | 18,350,252                           |
| g) Employees' Contribution                          | NIL                                  |
| h) Total Expenses recognized in Profit and Loss A/c | 21,004,797                           |

**3. Following are the Principal Actuarial Assumptions used as at the Balance Sheet date :**

| Particulars                                  | Gratuity             |
|--|----------------------|
| a) Discount Rate                             | 8%                   |
| b) Salary Escalation Rate – Management Staff | 7%                   |
| c) Turnover Rate                             | 10%                  |
| d) Mortality Table                           | LIC 1994-96 ultimate |

**4. Other Long Term benefits**

The Company's Long Term benefit includes Leave encashment payable at the time of retirement in full, otherwise it is encashable during the year in which services are rendered subject to in excess of 30 days. Present value of obligation as at the beginning of the year is Rs. 4,396,217 and the actuarial gain and losses are recognised in full in the Profit and Loss account for Rs. 4,839,327. The Present value of obligation as at March 31, 2008 is Rs. 9,235,544.

(ii) This being the first year of implementation of AS – 15 (Revised) previous year figures have not been given.

29 The Company does not enter into any forward contract or derivatives to cover its expenses in foreign currency. As at the year end, the exposures in foreign currency for the Company is as under :

| Particulars         | 2007-08                  |                  | 2006-07                  |                  |
|---------------------|--------------------------|------------------|--------------------------|------------------|
|                     | Foreign Currency<br>US\$ | Amount in<br>Rs. | Foreign Currency<br>US\$ | Amount in<br>Rs. |
| Accounts Receivable | 13,005,813               | 515,810,538      | 13,195,618               | 567,939,388      |
| Accounts Payable    | 27,809,900               | 1,110,832,826    | 14,817,750               | 639,819,262      |

**30 ACCOUNTING POLICIES**
**I BASIS OF ACCOUNTING:**

The financial statements are prepared in conformity with Generally Accepted Accounting Principles in India, the applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956. The Accounts have been prepared on the basis of historical cost. The Company follows the mercantile system of accounting recognising income and expenditure on accrual basis.

**II REVENUE RECOGNITION:**

Sale of goods is recognised on dispatches to customers. Service revenue is recognised as per terms of contract. Sales include amounts recovered towards Excise Duty and Sales Tax.

**III FIXED ASSETS :**

Fixed Assets are recorded at cost of acquisition including incidental and installation expenses. Interest on borrowed funds for qualifying assets is capitalized till the asset is put to use.

**IV DEPRECIATION :**

Depreciation on Plant and Machinery and Building is provided on Straight Line method except on Maleic Anhydride plant and all assets of CMC division, which has been provided on Written Down Value method. The rates at which depreciation is provided as above, are as prescribed by Schedule XIV to the Companies Act, 1956 and in terms of relevant circulars issued by the Department of Company Affairs

**V INVESTMENTS :**

Investments which are all long-term are stated at cost of acquisition and related expenses. Provision is made for any diminution of permanent nature in the value of investments.

**VI INVENTORIES:**

Items of Inventory are valued on the principle laid down by Accounting Standard 2 on "Valuation of Inventories" on the basis given below

- i Stores and Spare Parts : At cost (on weighted average basis) including incidental expenses like freight, transport etc. or net realizable value whichever is lower
- ii Raw Materials : At cost (on weighted average basis) including incidental expenses like freight, transport etc. or net realizable value whichever is lower
- iii Work-in-Progress : At raw material cost plus proportionate fixed and variable manufacturing expenses. or net realizable value whichever is lower.
- iv Finished Goods : At Cost or net realizable value whichever is lower, Cost is calculated at Raw Material cost plus all fixed and variable manufacturing expenses. Excis duty is also included in valuation.

**VII EMPLOYEE BENEFITS :****1. Short-term employee benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentive paid annual leave, bonus, leave travel assistance, medical allowance, contribution to provident fund and superannuation etc. recognised as actual amounts due in period in which the employee renders the related services.

**2. Post-employment benefits****a. Defined contribution plan**

Payment made to defined contribution plans such as Provident are charged as an expenses as they fall due.

**b. Defined Benefit Plans**

The cost of providing benefits i.e. gratuity is determined using the projected Unit Credit Method, with actuarial valuation carried out as the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

**3. Other Long term employee benefits**

Other Long term employee benefit is recognised as an expenses in the profit and loss account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. The actuarial gains and losses in respect of such benefit are charged to the profit and loss account.

**VIII FOREIGN CURRENCY TRANSLATION:**

- a) All assets and liabilities in foreign currency, which are monetary in nature, outstanding at the close of the year are valued at the contracted and/or exchange rate at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss account.
- b) Investments outside India are carried in the Balance Sheet at the rates prevailing on the date of the transaction.

**IX BORROWING COSTS :**

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**X TAXATION :**

Current tax is determined as the amount of tax payable to the taxation authorities in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence, on timing difference being differences between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods.

**XI LEASE RENTALS:**

Lease rentals paid in respect of assets taken on lease are charged to revenue over the estimated life of the asset.

**XII CATALYST:**

Cost of Catalyst is amortised over its estimated useful life or estimated units of production

31 Previous Years figures have been grouped wherever necessary

32 Balance sheet abstract and company's general business profile

I. Registration details : 16149 State code : 11  
 CIN : U24100MH1972PLC016149  
 Balance Sheet Date : 31-03-2008  
 Date-Month-Year

II Capital Raised during the year (Amount in Rs. Thousands)

| Public issue | Bonus Issue | Rights Issue<br>(Warrant Conversion) | Private Placement |
|--------------|-------------|--------------------------------------|-------------------|
| NIL          | NIL         | NIL                                  | NIL               |

III Position of Mobilisation and Deployment of Funds : [Amount in Rs. Thousands]

| Total Liabilities | Total Assets | Sources of Funds<br>Paid up Capital | Reserves<br>& Surplus |
|-------------------|--------------|-------------------------------------|-----------------------|
| 3,533,467         | 3,533,467    | 102,411                             | 1,209,985             |

| Net Current Assets | Miscellaneous Expenditure | Accumulated Losses |
|--------------------|---------------------------|--------------------|
| 2,081,495          | NIL                       | NIL                |

IV Performance of Company (Amount in Rs. Thousands)

| Turnover  | Total Expenditure | Profit Before Tax | Profit After Tax |
|-----------|-------------------|-------------------|------------------|
| 6,576,969 | 5,375,165         | 467,823           | 305,001          |

Earnings per share (in Rs.) 26.05 Dividend Rate – 100%

V Generic Names of Three Principal Products/Services of Company [as per monetary terms]:

|                     |   |                   |
|---------------------|---|-------------------|
| Item Code No        | : | 2917.35.00        |
| Product Description | : | PTHALIC ANHYDRIDE |
| Item Code No        | : | 2917.14.00        |
| Product Description | : | MALEIC ANHYDRIDE  |
| Item Code No        | : | 2918.19.00        |
| Product Description | : | MALIC ACID        |
| Item Code No        | : | 2917.90.00        |
| Product Description | : | PTHALATE ESTERS   |

As per our report of even date  
 For & on behalf of

**Contractor, Nayak & Kishnadwala**  
 Chartered Accountants

**S SRIDHAR**  
 Chairman and Managing Director

**S SANTHANAM**  
 Director

**H. V. KISHNADWALA**  
 Partner  
 MUMBAI,  
 2<sup>nd</sup> June, 2008

**NARENDRA RAHALKAR**  
 Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2008**

|   | 31.03.2008<br>Rs. | 31.03.2007<br>Rs. |
|---|-------------------|-------------------|
| <b>A. Cash Flow From Operating Activities :</b>   |                   |                   |
| Net Profit Before Tax And Extra Ordinary Items    | 467,823,343       | 385,468,184       |
| Adjustments                                       |                   |                   |
| Depreciation                                      | 112,489,871       | 109,007,576       |
| Interest Paid                                     | 138,714,205       | 101,911,885       |
| Other Non Operating Income (Net)                  | (10,677,534)      | (20,301,466)      |
| Operating Profit Before Working Capital Changes   | 708,349,886       | 576,086,179       |
| Adjustments                                       |                   |                   |
| Trade And Other Receivables                       | (109,177,129)     | (637,722,905)     |
| Inventories                                       | 301,470,851       | (212,359,689)     |
| Trade Payables                                    | (797,695,312)     | 472,277,122       |
| Cash Generated From Other Operations              | 102,948,296       | 198,280,707       |
| Interest Paid                                     | (138,714,205)     | (101,911,885)     |
| Direct Tax Paid                                   | (176,806,210)     | (164,340,429)     |
| Deferred Tax                                      | 19,677,276        | 18,500,891        |
| Cash Flow Before Prior Period Items               | (192,894,843)     | (49,470,716)      |
| Prior Period Items                                | 336,343           | 1,185,810         |
| Net Cash From Operating Activities                | (192,558,500)     | (48,284,906)      |
| <b>B. Cash Flow From Investments Activities :</b> |                   |                   |
| Purchase of Fixed Assets                          | (258,210,328)     | (42,966,961)      |
| Sale of Fixed Assets                              | (2,416,975)       | 625,400           |
| (Purchase)/Sales of Investments (Net)             | 3,552             | (250)             |
| Deposits With Companies                           | 3,380,000         | 1,430,000         |
| Interest Received                                 | 11,640,902        | 4,167,936         |
| Dividend Received                                 | 1,635,101         | 15,982,178        |
|   | (243,967,747)     | (20,761,699)      |
| <b>C. Cash Flow From Financing Activities :</b>   |                   |                   |
| Proceeds From Borrowings - Short Term             | (100,000,000)     | 100,000,000       |
| Long Term   | 262,806,441       | 396,337,345       |
| Dividend paid                                     | (107,810,083)     | (75,886,235)      |
|   | 54,996,358        | 420,451,110       |
| Net Increase/Decrease In Cash And Cash Equivalent | (381,529,889)     | 351,404,505       |
| Cash And Cash Equivalents Opening Balance         |                   |                   |
| Cash And Bank Balances                            | 31,711,113        | 10,049,281        |
| Cash Credit Accounts                              | (252,362,893)     | (582,105,566)     |
|   | (220,651,780)     | (572,056,285)     |
| Cash And Cash Equivalents Closing Balance         |                   |                   |
| Cash And Bank Balances                            | 17,215,990        | 31,711,113        |
| Cash Credit Accounts                              | (619,397,659)     | (252,362,893)     |
|   | (602,181,669)     | (220,651,780)     |
| Total   | (381,529,889)     | 351,404,505       |

As per our report of even date  
For & on behalf of

**Contractor, Nayak & Kishnadwala**  
Chartered Accountants

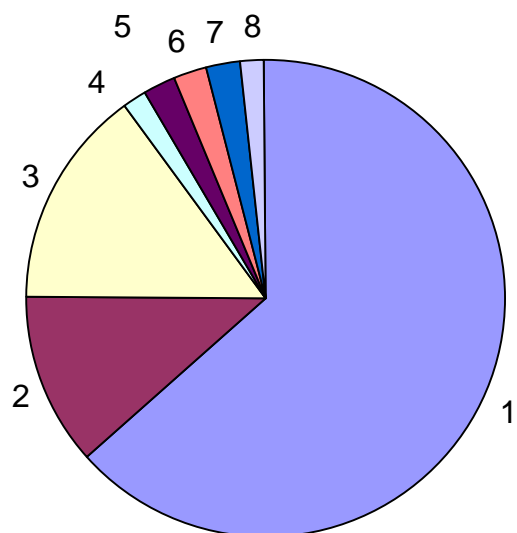
**S SRIDHAR**  
Chairman and Managing Director

**S SANTHANAM**  
Director

**H. V. KISHNADWALA**  
Partner  
MUMBAI,  
2<sup>nd</sup> June, 2008

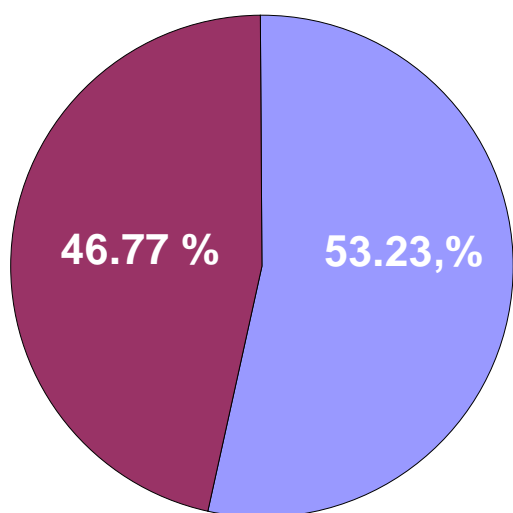
**NARENDRA RAHALKAR**  
Company Secretary

### DISTRIBUTION OF INCOME 2007 - 2008



|                                   | %     |
|-----------------------------------|-------|
| 1. Materials                      | 63.37 |
| 2. Manufacturing & Other Expenses | 11.71 |
| 3. Duties, Taxes                  | 14.92 |
| 4. Depreciation                   | 1.72  |
| 5. Interest & Finance Charges     | 2.11  |
| 6. Employees Emoluments           | 2.35  |
| 7. Retained Profit                | 2.25  |
| 8. Dividend                       | 1.57  |

### SHARE HOLDING DISTRIBUTION (AS ON 30-05-2008)



|                        | NO. OF SHARES | %     |
|------------------------|---------------|-------|
| PROMOTERS & ASSOCIATES | 5,450,631     | 53.23 |
| NON PROMOTER GROUP     | 4,788,181     | 46.77 |

## 10 YEAR HIGHLIGHTS

(Rs. Lakhs)

| Particulars                | 07-08 | 06-07 | 05-06 | 04-05 | 03-04 | 02- 03 | 01- 02 | 00 - 01 | 99 - 00 | 98 - 99 |
|----------------------------|-------|-------|-------|-------|-------|--------|--------|---------|---------|---------|
| Share Capital              | 1024  | 1024  | 1024  | 996   | 996   | 996    | 996    | 996     | 996     | 996     |
| Reserves & Surplus         | 12100 | 10631 | 9178  | 8336  | 7682  | 7199   | 6453   | 9512    | 10045   | 9446    |
| Networth                   | 13124 | 11655 | 10202 | 9332  | 8678  | 8195   | 7449   | 10508   | 11041   | 10442   |
| Fixed Assets (Net)         | 12145 | 10689 | 11354 | 11499 | 12378 | 13329  | 14133  | 15155   | 15287   | 13767   |
| Sales / Other Income       | 58430 | 54749 | 37129 | 35803 | 23628 | 27709  | 26326  | 18422   | 24102   | 16485   |
| Gross Profit               | 7190  | 5963  | 4009  | 3553  | 2942  | 3256   | 3276   | 2285    | 3803    | 3146    |
| Interest / Finance Charges | 1387  | 1019  | 884   | 724   | 800   | 997    | 1532   | 1887    | 1579    | 1547    |
| Depreciation               | 1125  | 1090  | 1124  | 1109  | 1087  | 900    | 844    | 888     | 920     | 896     |
| Current Tax                | 1825  | 1459  | 596   | 792   | 82    | 107    | 68     | —       | 148     | 72      |
| Deferred Tax               | (197) | (185) | (42)  | (406) | (73)  | (126)  | 220    | —       | —       | —       |
| Net Profit / (Loss)        | 2667  | 2531  | 1453  | 1335  | 1044  | 1309   | 597    | (532)   | 1152    | 637     |
| Dividend (Incl. Tax)       | 1198  | 1078  | 759   | 681   | 562   | 562    | 299    | —       | 553     | 439     |
| Earning Per Share (Rs.)    | 26.05 | 24.72 | 14.19 | 13.41 | 10.48 | 13.14  | 5.99   | —       | 11.57   | 6.40    |

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