

35th 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

**35TH 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)

C O N T E N T S		Page No.
Board of Directors		01
Notice		02
Directors' Report		05
Corporate Governance Report		09
Auditors' Report		14
Balance Sheet		16
Profit and Loss Account		17
Schedules		18
Notes To Accounts		24
Cash Flow Statement		35

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 (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) 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 31/3/2008	Year ended 31/3/2007
FINANCIAL RESULTS		
Sales	65,770	61,245
Other Income	587	483
	66,357	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
Profit before Tax	4,678	3,855
Provision for Current Tax	1,825	1,458
Profit after Current Tax	2,853	2,396
Provision for Deferred Tax	(197)	(185)
Prior Year Adjustment	383	50
Profit after Tax	2,667	2,531
Balance in Profit & Loss Account	3,500	2,347
	6,167	4,878
APPROPRIATIONS		
Dividend	1,024	921
Tax on Dividend	174	157
General Reserve	350	300
Balance carried forward	4,619	3,500
	6,167	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 27th 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 15th 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 29th 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 14th June 2007. Mr. U. Sundararajan resigned as Director with effect from 29th 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 31st 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 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. Wisconsin – U.S.A. 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 Ending 2007-08	Year Ending 2006-07
------------------	---------------------------	---------------------------

1 ELECTRICITY:

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

2 COAL : Not consumed in the process

3 FURNACE OIL:

Total Qty	KL	5933	6217
Total Amount	RS	11,15,06,048	10,06,41,372
Avg Rate	RS	18,794	16,188

4 OTHER INTERNAL GENERATIONS

NIL NIL

5 CONSUMPTION PER TONNE OR PRODUCTION

a) PHTHALIC ANHYDRIDE			
Electricity	KWHR	10.07	9.21
Furnace Oil	LTR	36.54	27.10
Others (Diesel)	LTR	4.49	1.44
b) MALEIC ANHYDRIDE			
Electricity	KWHR	78.90	35.97
Furnace Oil	LTR	286.34	105.78
Others (Diesel)	LTR	35.16	5.63
c) FOOD ACIDS			
Electricity	KWHR	107.51	170.34
Furnace Oil	LTR	390.14	500.95
Others (Diesel)	LTR	47.91	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#	-	NA	-	-
Mr.Cyril S Shroff @	-	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\$	1	No	6	4~
Mr.Atul Agarwal	5	Yes	3	2
Mr. K. V. Krishnamurthy	5	Yes	8	7
Mr. A. Janakiraman^	2	NA	-	-
Mr. P. Shankar ^	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 Rs.	Commission 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, 21st 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 Bhaudaji Road, Matunga- (C.Rly) Mumbai.
2005-2006	24/7 /2006	4.00 p.m	Mysore Association Auditorium Bhaudaji Road, Matunga- (C.Rly) Mumbai.
2004-2005	29/8 /2005	4.00 p.m	Mysore Association Auditorium Bhaudaji Road, Matunga- (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 8th 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 20th 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 35th AGM : Monday, 21st July 2008 at 4.00 p.m. at Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai- 400 019.
- 2) Date of Book Closure : Tuesday, 8th July 2008 to Monday, 21st 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
- 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
- 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
- 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
TOTAL	1,02,38,812	100.00

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
TOTAL	14733	100.00	10238812	100.00

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 2003-04 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 31.03.2008 Rs.	AS ON 31.03.2007 Rs.
I SOURCES OF FUNDS			
1. SHARE HOLDER'S FUNDS			
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>
2. LOAN FUNDS			
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>
3. DEFERRED TAX LIABILITIES (NET)		257,969,433	277,646,710
TOTAL		<u><u>3,533,467,193</u></u>	<u><u>2,876,386,642</u></u>
II APPLICATIONS OF FUNDS			
1 FIXED ASSETS	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>
2 INVESTMENTS	6	237,435,631	237,439,183
3 CURRENT ASSETS, LOANS & ADVANCES			
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>
Less: CURRENT LIABILITIES & PROVISIONS			
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>
NET CURRENT ASSETS		<u>2,081,494,714</u>	<u>1,569,949,573</u>
TOTAL		<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,
2nd June, 2008

NARENDRA RAHALKAR
Company Secretary

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

	SCHEDULE	YEAR ENDED 31.03.2008 Rs.	YEAR ENDED 31.03.2007 Rs.
INCOME			
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
EXPENDITURE			
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
Profit before Tax		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
Profit after Tax		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
APPROPRIATIONS			
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,
2nd June, 2008

NARENDRA RAHALKAR
Company Secretary

SCHEDULES TO THE ACCOUNTS

	AS ON 31.03.2008 Rs.	AS ON 31.03.2007 Rs.
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED:		
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
ISSUED:		
10,242,812 Equity shares of Rs.10 each	102,388,120	102,388,120
SUBSCRIBED AND PAID UP:		
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
SCHEDULE 2: RESERVES AND SURPLUS		
1 SECURITIES PREMIUM ACCOUNT Balance as per last Balance Sheet	375,468,156	375,468,156
2 AMALGAMATION RESERVE Balance as per last Balance Sheet	1,870,920	1,870,920
3 CAPITAL RESERVE Balance as per last Balance Sheet	2,500,000	2,500,000
4 GENERAL RESERVE Balance as per last Balance Sheet Add: Transferred from Profit and Loss account	333,252,062 35,000,000	303,252,062 30,000,000
5 SURPLUS AS PER PROFIT AND LOSS ACCOUNT	368,252,062 461,893,698	333,252,062 349,977,078
TOTAL	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 31.03.2008 Rs.	AS ON 31.03.2007 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
1,538,326,048	891,286,878
82,440,000	115,274,000
100,000,000	200,000,000
242,336,257	226,700,218
424,776,257	541,974,218

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 31.03.2008 Rs.	DEPRECIATION			NET BLOCK		
	AS ON 1.04.2007 Rs.	ADDITIONS Rs.	DEDUCTIONS Rs.		UPTO 31.03.2007 Rs.	RECOUPED DEPRECIATION Rs.	DURING THE PERIOD Rs.	AS AT 31.03.2008 Rs.	AS AT 31.03.2008 Rs.	AS AT 31.03.2007 Rs.
LAND	2,772,329	497,000	-	3,269,329	-	-	-	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 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
TOTAL	2,535,592,672	138,775,138	888,357	2,673,479,453	1,471,134,863	706,862	112,489,871	1,582,917,872	1,090,561,581	1,064,457,809
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 31.03.2008 Rs.	AS ON 31.03.2007 Rs.
SCHEDULE 6: INVESTMENTS [AT COST]		
LONG TERM		
QUOTED: EQUITY SHARES (NON TRADE)		
3,044,800 of Rs.2 each	- Ultramarine and Pigments Limited	53,775,623
68,500	- Quantum Digital Vision Limited	68,500
10,000	- Resins and Plastics Ltd.	300,000
650	- Andhra Petrochemicals Ltd.	10,026
1,375	- Nicholas Piramal India Ltd	122,728
137	- Piramal Life Science Limited	25,727
4,000	- Maruti Plastics Ltd	4,000
9,150	- Indu Nissan Oxo Chemical Ltd.	9,150
100	- Tata Power Ltd.	15,399
100	- Ganesh Anhydride Ltd.	100
5000	- Neyveli Lignite Corporation Limited	313,958
62	Gujarat Glass Limited {Prev. Kojam Fininvest Ltd.}	620
QUOTED: OTHERS (NON TRADE)		
NIL (240)	- Units of Unit Trust of India	-
	A	3,552
	54,645,831	54,649,383
	[Market value of Quoted Investments Rs.121,983,957 prev year Rs.134,113,179]	
UNQUOTED (TRADE)		
1,54,22,000	Ordinary shares of RM 1 each of TCL Industries(Malaysia) SDN BHD	182,769,550
5	Shares of Kamer Co-operative Housing Society Limited	250
200	Shares of The Sarawat Co-operative Bank Ltd	20,000
	B	182,789,800
	A+B	237,435,631
SCHEDULE : 7 INVENTORIES		
[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
	1,040,892,594	1,342,363,445

SCHEDULES TO THE ACCOUNTS

	AS ON 31.03.2008 Rs.	AS ON 31.03.2007 Rs.
SCHEDULE 8: SUNDRY DEBTORS		
[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
SCHEDULE 9: CASH AND BANK BALANCES		
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
SCHEDULE 10: LOANS AND ADVANCES		
[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
SCHEDULE 11: CURRENT LIABILITIES		
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
*See Note 18 of Schedule 19		
SCHEDULE 12: PROVISIONS		
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 31.03.2008 Rs.	YEAR ENDED 31.03.2007 Rs.
SCHEDULE 13: OTHER INCOME		
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
	58,662,336	48,292,928
SCHEDULE 14: VARIATION IN STOCKS		
Opening Stock:		
Finished Goods	408,450,000	386,639,000
Work in Progress	45,508,000	62,974,000
	453,958,000	449,613,000
Closing Stock:		
Finished Goods	259,114,000	408,450,000
Work in Progress	99,727,000	45,508,000
	358,841,000	453,958,000
Variation in Stocks	(95,117,000)	4,345,000
SCHEDULE 15: MATERIALS CONSUMED		
Stock at commencement	375,212,918	353,373,480
Add: Purchases	4,272,038,848	4,027,180,274
	4,647,251,766	4,380,553,754
Less: Sales	3,460,614	1,099,057
Less: Stock at close	498,923,015	375,212,918
	4,144,868,137	4,004,241,779
SCHEDULE 16: EMPLOYEE'S EMOLUMENTS		
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
	103,030,824	87,991,286

SCHEDULES TO THE ACCOUNTS

	YEAR ENDED 31.03.2008 Rs.	YEAR ENDED 31.03.2007 Rs.
SCHEDULE 17: OTHER CHARGES		
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
SCHEDULE 18: INTEREST AND FINANCE CHARGES		
On Fixed Loans	98,905,924	68,768,779
On Others	39,808,281	33,143,106
TOTAL	138,714,205	101,911,885

NOTES FORMING PART OF ACCOUNTS

SCHEDULE 19 : NOTES TO ACCOUNTS

1 Contingent Liability in respect of:

	As on 2007-08 Rs.	As on 2006-07 Rs.
a) Estimated amount of contracts to be executed on capital account and not provided for Against which advances paid	99,412,017 31,377,901	- -
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

NIL	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 (MTs)		@ Installed Capacity (MTs)		Production (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
		6,497,822,724		6,041,336,203

* 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
		408,450,000		386,639,000

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
		259,114,000		408,450,000

* 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 Rs.	2006-07 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 RS.	2006 - 2007 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
520,383,820	397,874,182
-	305,986
520,383,820	397,568,196

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	-
27,734,578	7,951,364

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
46,912,008	14,666,564

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 Rs.	2006 – 07 Rs.
a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	3,308,848	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.	50,478	-
d. The amount of interest due accrued and remaining unpaid at the end of each accounting year.	464,745	-
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	2007 – 2008 (Rs.)	2006 – 2007 (Rs.)
Audit fees	450,000	400,000
For Certification	180,000	150,000
For Taxation matters	60,000	50,000
For Tax Audit	100,000	100,000
For Other Services	10,000	—
Service Tax	98,880	86,292
Out of Pocket expenses	1,650	4,200
	900,530	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 as at 1.4.2007 Rs.	Credit for the Current Year credited to Profit and Loss Account. Rs	Deferred Tax Asset / Liability as at 31.03.2008 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 Rs.	Directors of the Company and their relatives Rs.	Total Rs.
Purchase of goods	31,937,881 (45,091,240)		31,937,881 (45,091,240)
Sale of goods	82,063,291 (82,674,267)		82,063,291 (82,674,267)
Expenses recharged by Company	5,133,129 (5,497,053)		5,133,129 (5,497,053)
Expenses recharged by them	942,225 (111,575)		942,225 (111,575)
Rendering of services	81,267 (358,925)	12,000 (12,000)	93,267 (370,925)
Outstanding payables	266,186 (2,490,618)		266,186 (2,490,618)
Outstanding receivables	168,452,808 (84,558,729)		168,452,808 (84,558,729)
Deposit taken	181,738,233 (196,309,059)		181,738,233 (196,309,059)
Interest Expenses on deposit taken	12,496,463 (4,824,924)	2,059,811 (3,210,875)	14,556,274 (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 (46,347,542)		42,102,983 (46,347,542)
Outstanding deposit payable	1,400,000 (1,400,000)	14,671,000 (31,297,000)	16,071,000 (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 Lakhnanpal 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 Lakhnanpal 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 31st December, 2007 in respect of :

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

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 31st 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 (Rs.)	2006-2007 (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
Total	12,362,832*	10,003,911*

* 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 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 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 US\$	Amount in Rs.	Foreign Currency US\$	Amount in 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 (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 Paid up Capital	Reserves & 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,
2nd June, 2008

NARENDRA RAHALKAR
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2008

	31.03.2008 Rs.	31.03.2007 Rs.
A. Cash Flow From Operating Activities :		
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	<u>708,349,886</u>	<u>576,086,179</u>
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	<u>102,948,296</u>	<u>198,280,707</u>
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	<u>(192,894,843)</u>	<u>(49,470,716)</u>
Prior Period Items	336,343	1,185,810
Net Cash From Operating Activities	<u>(192,558,500)</u>	<u>(48,284,906)</u>
B. Cash Flow From Investments Activities :		
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
	<u>(243,967,747)</u>	<u>(20,761,699)</u>
C. Cash Flow From Financing Activities :		
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)
	<u>54,996,358</u>	<u>420,451,110</u>
Net Increase/Decrease In Cash And Cash Equivalent	<u>(381,529,889)</u>	<u>351,404,505</u>
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)
	<u>(220,651,780)</u>	<u>(572,056,285)</u>
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)
	<u>(602,181,669)</u>	<u>(220,651,780)</u>
Total	<u>(381,529,889)</u>	<u>351,404,505</u>

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

Contractor, Nayak & Kishnadwala
Chartered Accountants

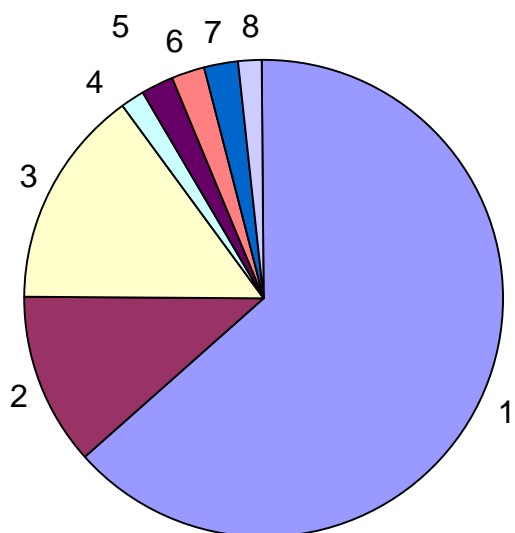
S SRIDHAR
Chairman and Managing Director

S SANTHANAM
Director

H. V. KISHNADWALA
Partner
MUMBAI,
2nd June, 2008

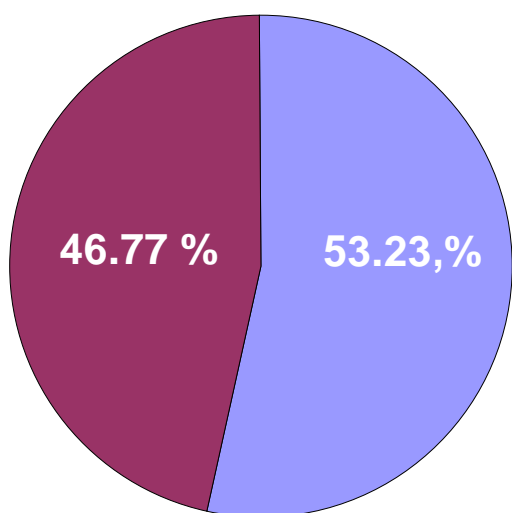
NARENDRA RAHALKAR
Company Secretary

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

Book - Post

If undelivered, please return to :
THIRUMALAI CHEMICALS LIMITED
Thirumalai House, Road No.29,
Nr. Sion Hill Fort, Sion (E),
Mumbai - 400 022.