

36th

**ANNUAL REPORT
2008-2009**



**Thirumalai
Chemicals Ltd.**

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. 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

Link Intime India Private Limited
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W),
 Mumbai - 400 078.
 Tel. : 2594 6970
 Fax : 2594 6969
 E-mail : rnt.helpdesk@linkintime.co.in
 Website : www.linkintime.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>

36TH ANNUAL GENERAL MEETING

DATE

Thursday, September 24, 2009
 at 4.00 p.m.

VENUE

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

BOOK CLOSURE

September 11, 2009 to September 24, 2009
 (both days inclusive)

C O N T E N T S	Page No.
Board of Directors	01
Notice	02
Directors' Report	04
Corporate Governance Report	08
Auditors' Report	13
Balance Sheet	16
Profit and Loss Account	17
Schedules	18
Notes To Accounts	24
Cash Flow Statement	35

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

NOTICE

NOTICE is hereby given that the **THIRTY SIXTH 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 Thursday, 24th September 2009 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, 2009 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. S. Santhanam, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Atul Agarwal, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. K. V. Krishnamurthy, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the current Year and fix their remuneration.

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

July 27, 2009.

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 Friday 11th September 2009 to Thursday, 24th September 2009 (both days inclusive) for the purpose of the Annual General Meeting.
- d) Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
- e) Reappointment of retiring Directors:
Mr. S. Santhanam, Mr. Atul Agarwal and Mr. K. V. Krishnamurthy, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.
Mr. S. Santhanam, 69 years, has been a Director of the Company from November 22, 1991. He has over 37 years experience in diverse matters concerning implementation of Projects, marketing of Pigments, Detergents, and Chemicals etc. He contributes to charitable activities and is active in advancing the cause of education. He holds 533186 Shares representing 5.21% of the Company's paid up Share capital.
Mr. Atul Agarwal, 50 years was appointed as Director of the Company effective from 28th October, 2003. Mr. Atul Agarwal is a qualified Chartered Accountant and is the Managing Director of Mercator Lines Ltd as also Chairman and Director of Mercator Healthcare Ltd. He is also the Director of Indian National Shipowners Association as also the Proprietor of A.J. Agarwal & Company-Chartered Accountants. Mr. Agarwal has a strong expertise in Financial and Strategic Planning and Execution. He has also been accredited with membership of various Committees formed by the Government for Shipping reforms. He holds 15000 shares in the Company representing 0.14% of the Company's paid up Share capital.
Mr. K. V. Krishnamurthy was appointed as a Director of the Company effective from 29th January 2007. Mr. Krishnamurthy, 66 Years, is a Fellow member of the Institute of Chartered Accountants of India and the Indian Institute of Bankers. He has over 35 years in the Banking Industry and has served at various important positions over his illustrious career like CMD- Bank of India, CMD-Syndicate Bank, Executive Director-Bank of Baroda, Managing Director-Indo Hong Kong International Finance Company Ltd. Mr. Krishnamurthy is presently the Director in Centrum Capital Ltd, Centrum Direct Ltd, Essel Propack Ltd, Balan Natural Food P. Ltd, Asset Reconstruction Company (India) Ltd, Borosil Glass Works Ltd, Essar Steels Ltd, etc. He does not hold any shares in the Company.
- f) Members are requested to notify their Depository Participant (DP) / Company's Registrars viz: Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai-400 078. (Tel.Nos. 25946970, Fax No.25946969,

Email-rnt.helpdesk@linkintime.com) immediately about change of address , if any, and also write to them immediately about corrections, if any, in name, address and pincode.

- g) Members desiring any clarification on accounts are requested to write to the Company at an early date so as to enable the Company to keep the information ready.
- h) 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 Fixed Deposits repayment / Interest warrants / Dividend warrants are requested to approach the Company for obtaining the duplicate warrants before the balance in the respective account gets transferred to the Investor Education and Protection Fund.
- i) 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.
- j) Member(s) wanting to nominate a person on whom the Shares will vest in the event of death of the holder(s) are requested to use the prescribed Form-2B and forward to the Company' Registrars.
- k) 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

July 27, 2009.

DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,

Thirumalai Chemicals Ltd.

Your Directors present their THIRTY SIXTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31, 2009.

FINANCIAL RESULTS	Rs. (in Lakhs)	
	Year ended 31/3/2009	Year ended 31/3/2008
Sales	51,281	65,770
Income from Windmill Operation	92	—
Other Income	712	587
	52,085	66,357
Gross Profit / (Loss) before Interest and Finance Charges and Depreciation	(4,062)	7,190
Interest and Finance charges	1,703	1,387
Profit / (Loss) before Depreciation and Tax	(5,765)	5,803
Depreciation	1,223	1,125
Profit / (Loss) before Tax	(6,987)	4678
Provision for Current Tax	12	1,825
Profit / (Loss) after Current Tax	(6,999)	2,853
Provision for Deferred Tax	(2,405)	(197)
Prior Year Adjustment	6	383
Profit / (Loss) after Tax	(4,600)	2667
Balance in Profit & Loss Account	4,619	3500
Profit available for appropriation	19	6167
APPROPRIATIONS		
Dividend	—	1024
Tax on Dividend	—	174
General Reserve	—	350
Balance carried forward	19	4619
	19	6167

On a Sales turnover of Rs. 51,281 lakhs (Rs. 65,770 Lakhs) with Export Turnover at Rs.11,205 lakhs (Rs.10,226 Lakhs) including Export earning on FOB basis of Rs. 10,990 lakhs (Rs. 9,150 Lakhs), Income from windmill operation of Rs. 92 Lakhs (Rs. Nil) and Other Income of Rs.712 lakhs (Rs. 587 Lakhs), the Gross loss of the Company amounted to Rs. 4062 lakhs (Profit of Rs. 7,190 Lakhs in the previous year). After providing for Interest and Finance charges, Depreciation, Current and Deferred taxation and some adjustments, the Net loss amounted to Rs. 4600 Lakhs compared to profit of Rs. 2667 Lakhs in the previous year. The disastrous performance during the year is explained below in Industry Developments.

Dividend

In view of the loss for the year, your Directors regret their inability to recommend any Dividend.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Mission and Business Strategy

The Company's Business Mission continues to be consolidation & strengthening itself 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

The financial year began on a very promising note for the Company. Markets were buoyant and it was expected to be a good year for the Company. This helped the Company in its performance in the first five months of the year. The crude oil prices continued to rise & reached an historical peak. This led to turmoil in the industry with steep increase in price of raw materials. After oil price reached its historical peak of USD 147 / barrel in August 2008, it dramatically collapsed to below USD 40 / barrel by December 2008.

This affected the commodities and real estate market and triggered the worst financial institution collapse in USA, Europe & other parts of the world. The result was a global recession. In a short span the rupee depreciated from Rs. 39 to a USD to Rs. 51 to a USD making the imported raw material cost to shoot up. This also resulted in your Company making huge Foreign Exchange Fluctuation Loss in the II & III quarter of the year.

Your Company's Sales suffered due to lower demand in domestic as well as global market & also cancellation of confirmed orders. Your Company was left with high priced raw material which it was forced to convert and sell at a huge loss when the demand picked up during the last quarter.

The Plasticizer industry which is significant consumer of our PAN suffered, as the availability of Oxo alcohol the other raw material besides PAN continued to be in short supply. Expected Oxo alcohol expansion in India did not materialize resulting in limited Oxo alcohol availability.

Pigment sector which looked most promising at the beginning of the year suffered the most in second half of the year. Pigments & Dyes sector is dependent on global markets. With recession in world market export orders for pigments & dyes vanished / cancelled resulting in lower PAN consumption. Even quantity dispatched against confirmed orders were accepted at discount.

With lower infrastructure growth & uncertainty in world markets Housing sector, Paint, Unsaturated Polyester (UPR), Plasticizers Industries suffered. PAN consumption in these sectors remained stagnant to negative during the year. With the overall lower domestic demand as well as lower demand in export markets your Company could not achieve full capacity utilization and operating rates for PAN plants.

MAN-Due to rampant dumping of MAN into the country from China and unremunerative price of Benzene, the Company could not operate its MAN plant for major part of the year. Your Company had initiated proceedings for levy of anti dumping duty (ADD) on import of MAN into our country from China & other countries. Finally Government of India imposed ADD on import of MAN from China, Taiwan & Indonesia. In normal course this would have helped the Company to operate its MAN plant but unusual high price of Benzene which is the raw material for MAN, did not allow the Company to run its Plant. Company did produce some quantity of MAN but difficult market situation, high Benzene prices resulted in discontinuance of MAN production. The Company's captive requirement for MAN was catered through imports since imports were more economical & thus viable, than producing. Your Company will be able to operate the MAN plant if Benzene is available at reasonable prices.

Our food acids production continued to cater to local & overseas demand for food acids.

During the year, the Company started the production of L + Tartaric Acid based on its inhouse technology and started catering to domestic & overseas markets. Our product has been well accepted by the consumers.

Managements' Reply to qualification given in the Auditors' Report

With regard to the qualification made by the Auditors' in their report [Para 4(a) & (d)] for not making provision in the accounts towards diminution in value of investments of Rs 18,27,69,550/-made in TCL Industries (Malaysia) SDN BDH, Malaysia (TCLM), the Board states that the same is to be adjusted against the reserves of the company. Necessary approval was obtained from the shareholders in the Extraordinary General Meeting held on 12th March, 2009 and the company has filed necessary petition in the High Court of Mumbai seeking their approval for adjusting the same against the reserves of the Company. Hence no provision has been made in the accounts.

With regard to the qualification made by the Auditors' in their report [Para 4(b) & (d)] since TCLM is continuing its operations under the control of the liquidator, the Board believes that the amounts referred to in Para 4(b) are recoverable.

With regard to the qualification made by the Auditors' in their report [Para 4(c) & (d)] the Company has recognized Deferred Tax Asset (DTA) for unabsorbed losses for the year. These losses were incurred mainly due to unprecedented fall in commodity prices during the 3rd quarter resulting in inventory losses and fluctuations in foreign currency. The Board believes that these losses were exceptional and not expected to recur. In the 4th quarter, the company has already reported profits and hence there is virtual certainty to be able to recognize the DTA.

Financial and Operating performance

During the year, the Company has set up two additional windmills at a cost of Rs. 830 Lakhs at Muthunayakanpatti, Palani Taluka, Tamil Nadu. The windmills were commissioned in September 2008. From these four windmills the Company has earned Rs. 97.61 Lakhs.

Your Company's performance during the period under review is disheartening. Due to the reasons explained in the foregoing paragraphs your Company could only achieve lower capacity utilization than the previous year. In 2008-2009, the Company suffered a Net Loss of Rs. 4,600 Lakhs.

Your Company had to temporarily suspended operations of its Phthalic Anhydride Plant for two months from October 2008. This was as a consequence of vertical fall in demand caused by sudden surge in imports of Phthalic Anhydride into India, by traders and by manufacturers from South Korea, Indonesia, Taiwan and Israel as the local demand in these countries also crashed. The dumping of products to liquidate the high priced stock further resulted in depressing demand & prices.

Your Company alongwith other Indian Phthalic Anhydride manufacturers initiated action with the Government of India to put in place appropriate trade remedy measures, like Safeguard Duty to protect against this activity. By its order, the Government of India in January 2009 imposed safeguard duties on these cheap imports into India which ensures necessary protection for domestic PAN producers.

Periodic reviews are made of the effectiveness of the internal control system. These are considered adequate and sought to be continuously improved. Industrial relations remain 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 is about Rs. 7,309 Lakhs on Net Sales of about Rs. 46,925 Lakhs. That is, over 16% of Company's Sales is contributions to the Exchequer.

Research and Development

The Company's in-house Research and Development facility, approved under Section 35 (2AB) of the Income Tax, 1961, is continuously working on developing various Fine Chemicals and Speciality Chemicals.

Opportunities and Threats

Demand for PAN remains stagnant in both domestic & international market due to unusual market conditions as a result of recession. Market is likely to remain uncertain for sometime. The Company will face the challenge and strive to get back to good times.

With huge investment in infrastructure and Housing the demand for PAN is expected to grow in the coming years. To meet the growing demand the consuming industries of PAN have expanded their capacities during the last two years. Subject to unforeseen circumstances your Company expects to utilize the PAN plants to their full capacity.

Risks and concerns

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

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.

Current year

The current year is expected to be much better due to your Company having international capacities in all its products, worldwide customer base and efforts of our staff during the last 35 years to make your Company the lowest cost producer. The year has begun on somewhat better note with slow recovery seen in the industry. Markets are showing a steady recovery trend. Crude oil prices have almost halved from its peak levels and inflation has touched zero / sub zero levels and has remained at such levels for quite sometime.

In the current year your Company expects enhanced and continued contribution from PAN, MAN, Fumaric Acid, Malic Acid, etc. Your Company is placing more emphasis on planning for raw material & sales by systematically following & analyzing market trends. By entering into contract with local manufacturer for purchase of major portion of its Raw material, the inventories will be better managed.

The contract sales of PAN on the basis of pre-determined formula price continues. Contract sales give basic minimum sales volumes and allow flexibility to achieve remaining sales at better realizations. The Company will continue to devise new ways and means to achieve higher sales to operate all its plants to its full capacity, which would result in economies of scale, better working capital management and competitive advantage and contribute to the Company's bottom line. All the major Plants (except MAN) are

running fully. The Company would endeavour to work all Plants at their full capacity efficiently & economically adopting appropriate cost savings measures.

Outlook

Your Company remains optimistic about the future. It will built on its strength and continue to grow.

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 including Deemed Exports amounted to Rs. 16,150 Lakhs (Rs. 17,005 Lakhs). The Company has been awarded the status of 'One Star Export House' in recognition of the Company's export performance. Your Company focuses on exports to achieve higher volumes year after year.

MALAYSIAN JOINT VENTURE

Members are aware that in January 2008, TCL Industries (Malaysia) SDN BHD (TCLM) successfully commissioned its plant for the manufacture of MAN from Butane instead of Benzene, to make TCLM competitive with other MAN manufacturers. However, with the global meltdown in September-December 2008 TCLM had to close operations as its operations became unviable. An unsecured creditor of TCLM has appointed a liquidator and the liquidation process is in progress. In view of the above developments, the realisability of the investment in TCLM being highly uncertain, the Board at its meeting decided to write down the said investment against the Securities Premium and other capital reserves of the Company.

With respect to the qualification in the Auditors report, Note no. 25 in Schedule 19 is self explanatory and therefore do not call for any further comments.

Chemidye Division

Chemidye with its manufacturing capabilities, R&D facilities, technology and manpower and also an EOU which helps in pushing Exports, and earns valuable Foreign Exchange is contributing substantially 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. 16.14 Lakhs due for repayment on or before March 31, 2009 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' Certificate 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. S. Santhanam, Mr. Atul Agarwal and Mr. K. V. Krishnamurthy, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

The Board commends the aforesaid reappointments.

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, 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

Mumbai
July 27, 2009

ANNEXURE 1 TO DIRECTORS' 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, 2009 .

Sr. No.	Name of the Employee	Age [Years]	Qualification and Experience	Designation	Remuneration Rs.	Date of Commencement	Last Employment Held
1	Mr. S. Sridhar	58	B.Sc., ACA 32 Years	Chairman & Managing Director	73,28,924	01/04/1979	Chief Accountant – Ultramarine & Pigments Ltd.
2	Mr. R. Parthasarathy	58	B. Tech., M.S. Wisconsin – U.S.A. 34 Years	Vice – Chairman & Managing Director	66,91,000	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 DIRECTOR'S 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 2008-09	Year Ending 2007-08
1 ELECTRICITY:				
a) PURCHASED UNITS	KWHR	1998760	1634931	
TOTAL AMOUNT PAID	RS.	10691176	9447835	
RATE PER UNIT	RS.	5.35	5.78	
b) OWN GENERATION:	KWHR	18765277	1931946	
UNIT / LTR OF HSD		2.92	2.65	
COST PER UNIT		12.13	12.53	
2 COAL: Not consumed in the process				
3 FURNACE OIL:				
TOTAL QTY	KL	5423	5933	
TOTAL AMOUNT	RS	127258839	111506048	
AVG RATE	RS	23467	18794	
4 OTHER INTERNAL GENERATIONS		-	-	
5 CONSUMPTION PER TONNE OF PRODUCTION				
a) PHTHALIC ANHYDRIDE				
ELECTRICITY	KWHR	14.24	10.07	
FURNACE OIL	LTR	38.63	36.54	
OTHERS (DIESEL)	LTR	5.53	4.49	
b) MALEIC ANHYDRIDE				
ELECTRICITY	KWHR	141.28	78.90	
FURNACE OIL	LTR	383.30	286.34	
OTHERS (DIESEL)	LTR	54.91	35.16	
c) FOOD ACIDS				
ELECTRICITY	KWHR	193.26	107.51	
FURNACE OIL	LTR	524.34	390.14	
OTHERS (DIESEL)	LTR	75.11	47.91	

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.64.89 lakhs	(Rs.25.01 lakhs)
b) Recurring	Rs.170.81 lakhs	(Rs.134.00 lakhs)
c) Total	Rs. 235.70 lakhs	(Rs.159.01 lakhs)
 - d) Total R&D expenditure as a % of sales 0.46% (0.24%)
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. 10,990 Lakhs (Rs. 9,150 Lakhs)
 Outgo – Rs. 37,523 Lakhs (Rs. 29,413 Lakhs)

By Order of the Board
For Thirumalai Chemicals Limited

S. Sridhar
 Chairman & Managing Director

Mumbai
 July 27, 2009

CORPORATE GOVERNANCE REPORT

(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

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

04.04.2008, 02.06.2008, 21.07.2008, 23.10.2008, 23.12.2008, 28.01.2009 and 12.03.2009. 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 2008-2009, 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 ¹	7	Yes	2	3
Mr. R. Parthasarathy ²	5	Yes	—	—
Mr. S. Santhanam	7	Yes	1	—
Mr. Dilip J Thakkar	7	Yes	13	9 ³
Dr. S. Rama Iyer	7	Yes	7	—
Mr. Pradeep Rathi	1	No	11	6
Mr. Atul Agarwal	3	Yes	8	1
Mr. K. V. Krishnamurthy	6	Yes	10	9 ⁴
Mr. A. Janakiraman	5	No	—	—
Mr. P. Shankar	4	Yes	2	2

¹ Chairman & Managing Director

² Vice Chairman & Managing Director

³ of which, 5 as Chairman

⁴ of which, 3 as Chairman

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 31/03/2009 are:

Name	Position	Salary Rs.	Commission Rs.	Contribution to P.F. and other Fund Rs.	Perquisites Rs.
Mr. S. Sridhar	Chairman & Managing Director	24,00,000	Nil	49,28,924	Nil
Mr. R. Parthasarathy	Vice -Chairman & Managing Director	24,00,000	Nil	42,91,000	Nil

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. However in view of the loss, no commission is payable to the Non Executive Directors for the year 2008-09. The sitting fees paid to the Non-Executive Directors is as under:

Name of the Director	Sitting fees paid (Rs.)
Mr. S. Santhanam	300,000
Mr. Dilip J Thakkar	300,000
Dr. S. Rama Iyer	140,000
Mr. Pradeep Rathi	20,000
Mr. Atul Agarwal	120,000
Mr. K. V. Krishnamurthy	200,000
Mr. A. Janakiraman	100,000
Mr. P. Shankar	80,000

d) 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 31/3/2009.

Name of the Director	No. of Shares held	% of the holding
Mr. S. Sridhar	755703	7.38
Mr. R. Parthasarathy	418399	4.09
Mr. S. Santhanam	533186	5.21
Dr. S. Rama Iyer	30000	0.29
Mr. Atul Agarwal	15000	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 13 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 35 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 2008-2009 on 30.05.2008, 21.07.2008, 23.10.2008 and 28.01.2009. The details of attendance are given below:

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. Dilip J Thakkar	4	4
Mr. S. Santhanam	4	4
Mr. Atul Agarwal	4	3
Mr. K. V. Krishnamurthy	4	4

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 30.05.2008 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 46 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 2008-2009.

GENERAL BODY MEETINGS

The Thirty Sixth Annual General Meeting of the Company for the financial year 2008-2009 would be held on Thursday, 24th September 2009 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.
2007-2008	21/7/2008	4.00 p.m	Mysore Association Auditorium Bhaudaji Road, Matunga- (C.Rly) Mumbai.
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.

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

No special resolution was passed through postal ballot during the year under review.

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 of the Factory at Ranipet / the Joint 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 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 36th AGM : Thursday, 24th September 2009 at 4.00 p.m. at Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai- 400 019.
- 2) Date of Book Closure : Friday, 11th September 2009 to Thursday, 24th September 2009
- 3) Listing on Stock Exchanges : Mumbai (BSE) and National Stock Exchange (NSE).
- 4) Listing fees : Paid as per the listing agreement.
- 5) ISIN No: : 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 : Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai-400 078.
Tel: +91-22-25946970
Fax: +91-22-.25946969
E-mail- rnt.helpdesk@linkintime.co.in
- 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 July 2009
Mailing of Annual Reports - Mid August 2009
June quarter results - End July 2009
September quarter results - End October 2009
December quarter results - End January 2010
- 12) Dividend payment date : Not Applicable
- 13) Dematerializations of shares : As on 31/3/2009, 95.40% of the Company's Shares representing 97,67,661 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 31/3/2009)

Category	No. of shares	% of shareholding
Promoters, Directors & their Relatives	2380177	23.25
Group companies	3050569	29.79
Financial Institutions / Banks	360932	3.53
Insurance companies	4600	0.04
NRIs / FIIs	200529	1.96
Companies / Bodies corporate	407998	3.98
General Public	3755870	36.68
Clearing member	75237	0.73
Trusts	2900	0.03
TOTAL	10238812	100.00

16) Distribution of Shareholding as on 31.03.2009

No. of Shares	No. of Shareholders	% of Shareholders	Shareholding	% of Shareholding
Upto 500	14294	92.61	1510323	14.75
501- 1000	585	3.79	449841	4.39
1001-2000	278	1.8	408049	3.99
2001-5000	163	1.06	513671	5.02
Over 5000	114	0.74	7356928	71.85
Total	15434	100.00	10238812	100.00

17) Stock market price data for the year 2008-2009

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	No. of Shares	High (Rs.)	Low (Rs.)	No. of Shares
April, 2008	194.50	168.50	38423	198.50	169.00	27071
May, 2008	210.00	182.00	44060	210.65	183.00	39331
June, 2008	210.00	166.00	69727	228.00	170.10	56651
July, 2008	176.80	133.00	79327	181.00	135.15	42280
August, 2008	167.00	144.10	104212	168.90	147.30	21330
September, 2008	156.70	133.00	33755	155.90	132.00	35383
October, 2008	138.75	77.00	41998	139.65	80.20	28277
November, 2008	99.45	71.10	268068	98.95	70.10	34330
December, 2008	81.80	66.30	56084	80.55	66.25	66106
January, 2009	77.60	53.00	59154	78.00	54.10	52886
February, 2009	59.70	46.05	65212	63.00	47.30	41617
March, 2009	52.60	38.90	236469	52.35	39.00	162472

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 31st March 2009, 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

Mumbai, July 27, 2009

H. V. Kishnadwala
Partner, Mem. No 37391

AUDITORS' REPORT

The Members of

THIRUMALAI CHEMICALS LIMITED

1. We have audited the attached Balance Sheet of THIRUMALAI CHEMICALS LIMITED as at 31st March 2009, 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. *Attention is drawn to the following:*
 - a) *As disclosed in Note 25 of Schedule 19, the company has not provided for diminution in the value of investment in shares of TCL Industries (Malaysia) Sdn Bhd Rs. 182,769,550 as required by Accounting Standard 13 "Accounting for Investments". Due to this, the loss for the year is understated by the said amount with corresponding effect on reserves.*
 - b) *As mentioned in Note 25 of Schedule 19, Company has an exposure of Rs. 480,326,190 in TCL Industries (Malaysia) Sdn Bhd ('TCLM') on account of advances and supplier's credit. The Company expects that the same would be recovered in future since the operations of TCLM are continuing and hence no provisioning is considered necessary at this stage. We are unable to comment on the same;*
 - c) *As mentioned in Note 21 of Schedule 19, the Company has recognised a Deferred Tax Asset of Rs. 203,644,679, for the unabsorbed business losses by confiding that there is a virtual certainty in being able to offset these losses in the forthcoming years which in our view is not in accordance with accounting standard 22 "Accounting*
 - d) *for Taxes on Income" which requires that the same be supported by convincing evidence;*
 - d) *Due to a) and c) above, the loss for the year is understated and reserves overstated by 386,414,229.*
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, *except for 4 (c) above* 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 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009, 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 *and subject to our observations in 4 above*, 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 2009;
 - b. In the case of the Profit and Loss Account, of the Loss 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, July 27, 2009

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 2009.

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 2009 (Rs.)	Maximum balance outstanding during the year (Rs.)
TCL Industries (Malaysia) SDN BHD (TCLM)	50,720,000	50,720,000
Ultramarine & Pigments Ltd	Nil	1,500,000

- 3 (b) In case of the aforesaid unsecured loans granted to companies 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 loans granted to companies covered in the register maintained under Section 301 of the Companies Act, 1956, the repayment of principal amount and interest is regular, except for TCLM [also refer our comments in paragraph 4(b) given above in the audit report];
- 3 (d) In case of the aforesaid unsecured loans granted to companies 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. [also refer our comments in paragraph 4(b) given above in the audit report];
- 3 (e) As per the information and explanations given to us, the

Company had 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 2009 (Rs.)	Maximum balance outstanding during the year (Rs.)
Ultramarine & Pigments Ltd	Nil	102,532,188

- 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 were 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 2009, 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/s to which the amount relates	Forum where dispute is
Central Excise Act	Excise Duty	350,000	2002-03 2003-04 2004-05	Central Excise and Service Tax and Appellate Tribunal
Central Excise Act	Excise Duty	99,945	2005-06	Asst. Commissioner of Central Excise
Income Tax Act	Income Tax	893,703	2002-03	Income Tax Appellate Tribunal
Income Tax Act	Income Tax	33,688,413	2004-05	Income Tax Appellate Tribunal
Income Tax Act	Income Tax	45,116,961	2005-06	Commissioner of Income Tax (Appeals)
Foreign Exchange Management Act	Penalty	9,93,63,453	1996-97	Supreme Court
Tamilnadu General Sales Tax Act	Interest on belated payments of tax	75,37,505	2000-01 to 2005-06	Chennai High Court

Amounts paid under protest and not charged to Profit and Loss Account have not been included above. (Refer Notes 3, 4 and 5 of Schedule 19)

- 10 The company does not have any accumulated losses as on 31st March 2009. The company has incurred cash losses during the financial year. However, it has not incurred any cash losses 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 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, July 27, 2009

BALANCE SHEET AS AT 31st March 2009

	SCHEDULE	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 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	749,975,651	1,209,984,836
		852,386,271	1,312,395,456
2 LOAN FUNDS			
a) Secured Loans	3	1,828,247,889	1,538,326,048
b) Unsecured Loans	4	294,552,835	424,776,257
		2,122,800,724	1,963,102,305
3 DEFERRED TAX LIABILITIES (NET)		17,441,033	257,969,433
TOTAL		2,992,628,029	3,533,467,193
II APPLICATION OF FUNDS			
1 FIXED ASSETS			
a) Gross Block	5	2,786,266,632	2,673,479,453
b) Less: Depreciation		1,705,157,975	1,582,917,872
c) Net Block		1,081,108,657	1,090,561,581
d) Capital Work in progress		148,376,177	123,975,267
		1,229,484,834	1,214,536,848
2 INVESTMENTS	6	237,435,631	237,435,631
3 CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	7	968,632,681	1,040,892,594
b) Sundry Debtors	8	1,305,048,253	1,557,228,689
c) Cash and Bank Balances	9	19,156,166	17,215,989
d) Loans and advances	10	627,360,767	353,841,062
		2,920,197,867	2,969,178,334
Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	11	1,345,217,670	723,732,860
b) Provisions	12	49,272,634	163,950,760
		1,394,490,304	887,683,620
NET CURRENT ASSETS		1,525,707,563	2,081,494,714
TOTAL		2,992,628,029	3,533,467,193
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

R. PARTHASARATHY
Managing Director

H. V. KISHNADWALA
Partner
MUMBAI,
27th July, 2009

NARENDRA RAHALKAR
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2009

	SCHEDULE	YEAR ENDED 31.03.2009 Rs.	YEAR ENDED 31.03.2008 Rs.
INCOME			
Sales		5,128,096,987	6,576,969,293
Less :: Excise Duty Recovered on Sales		435,639,457	697,526,103
Net Sales		4,692,457,530	5,879,443,190
Income from Windmill operations		9,761,041	347,097
Other Income	13	71,170,834	58,315,239
Variation in stocks	14	67,159,000	(95,117,000)
		4,840,548,405	5,842,988,526
EXPENDITURE			
Materials consumed	15	3,708,288,183	4,144,868,137
Employee's Emoluments	16	104,640,740	103,030,824
Purchase (Trading)		433,645,174	60,893,388
Other charges	17	1,000,182,022	815,168,758
Interest and Finance charges	18	170,265,401	138,714,205
Depreciation		122,266,548	112,489,871
		5,539,288,069	5,375,165,183
Profit/ (Loss) before Tax		(698,739,664)	467,823,343
Less: Provision for Current Tax		-	181,000,000
Less: Provision for Deferred Tax		(240,528,401)	(19,677,276)
Less: Provision for Fringe Benefit Tax		1,230,000	1,500,000
Profit/ (Loss) after Tax		(459,441,263)	305,000,619
Less: Short Provision for tax for earlier years		-	38,631,360
Less: Previous Years Expenses/ (Income) (Net)		567,921	(336,343)
Add: Balance in Profit and Loss account		461,893,696	349,977,077
Available for appropriations		1,884,512	616,682,679
APPROPRIATIONS:			
Proposed Dividend		-	102,388,120
Tax on Dividend		-	17,400,861
General Reserve		-	35,000,000
Balance carried to Balance Sheet		1,884,512	461,893,698
		1,884,512	616,682,679
Earnings per Share of Rs 10 each (Basic and Diluted)		(44.93)	26.05

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

Contractor, Nayak & Kishnadwala
Chartered Accountants

S SRIDHAR
Chairman and Managing Director

R. PARTHASARATHY
Managing Director

H. V. KISHNADWALA
Partner
MUMBAI,
27th July, 2009

NARENDRA RAHALKAR
Company Secretary

SCHEDULES TO THE ACCOUNTS

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 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:		
10,238,812 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	368,252,062 -	333,252,062 35,000,000
	368,252,062	368,252,062
5 SURPLUS AS PER PROFIT AND LOSS ACCOUNT	1,884,512	461,893,698
TOTAL	749,975,651	1,209,984,836

SCHEDULES TO THE ACCOUNTS

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 3: SECURED LOANS		
A FROM INSTITUTIONS		
FOREIGN CURRENCY LOANS		
Export Import Bank of India	-	46,011,500
Export Import Bank of India Pre/Post Shipment	370,629,070	526,716,888
RUPEE TERM LOANS		
Export Import Bank of India	469,046,704	346,200,000
[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	195,700,130	374,000,000
b) Cash Credit/Export Credit Accounts	292,871,985	245,397,660
[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]		
C FROM SCHEDULED BANKS		
Short Term Deposit	500,000,000	-
[Security to be created]		
	1,828,247,889	1,538,326,048
SCHEDULE 4: UNSECURED LOANS		
Fixed deposits	57,911,000	82,440,000
Short Term Loans from a Bank	-	100,000,000
Interest free Sales Tax Loan	236,641,835	242,336,257
[Guaranteed by Shri R Parthasarathy, Managing Director of the Company]		
	294,552,835	424,776,257

[Payable within one year Rs. 63,875,248 [prev. year Rs. 133,075,042]

SCHEDULE 5: FIXED ASSETS

PARTICULARS	GROSS BLOCK			AS ON 31.03.2009 Rs.	DEPRECIATION			NET BLOCK		
	AS ON 1.04.2008 Rs.	ADDITIONS Rs.	DEDUCTIONS Rs.		UPTO 31.03.2008 Rs.	RECOUPED DEPRECIATION Rs.	DURING THE PERIOD Rs.	AS AT 31.03.2009 Rs.	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
LAND	3,269,329	480,000	-	3,749,329	-	-	-	-	3,749,329	3,269,329
BUILDINGS	127,806,262	-	-	127,806,262	40,682,320	-	3,207,025	43,889,345	83,916,917	87,123,942
PLANT AND MACHINERY	2,313,848,408	21,122,650	-	2,334,971,058	1,488,504,655	-	97,616,491	1,586,121,146	748,849,911	825,343,753
WIND OPERATED GENERATORS	82,503,000	82,520,000	-	165,023,000	3,161,927	-	12,258,396	15,420,323	149,602,677	79,341,073
COMPUTERS	16,681,596	367,110	-	17,048,706	14,277,327	-	897,126	15,174,453	1,874,253	2,404,269
FURNITURE, FIXTURES AND EQUIPMENTS	44,476,442	1,282,795	34,175	45,725,062	23,376,532	26,447	3,198,521	26,548,606	19,176,457	21,099,909
VEHICLES	9,914,371	560,157	-	10,474,528	5,247,532	-	1,284,287	6,531,819	3,942,709	4,666,840
DETAILS OF ASSETS USED FOR R&D::										
PLANT AND MACHINERY	70,373,764	4,254,835	-	74,628,599	6,651,003	-	3,363,458	10,014,461	64,614,138	63,722,761
COMPUTERS	9,400	-	-	9,400	7,640	-	704	8,344	1,056	1,760
FURNITURE, FIXTURES AND EQUIPMENTS	4,596,881	2,233,807	-	6,830,688	1,008,936	-	440,540	1,449,476	5,381,212	3,587,945
TOTAL	2,673,479,453	112,821,354	34,175	2,786,266,632	1,582,917,873	26,447	122,266,548	1,705,157,974	1,081,108,658	1,090,561,580
PREVIOUS YEAR	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

SCHEDULES TO THE ACCOUNTS

		AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 6: INVESTMENTS (AT COST)			
LONG TERM			
QUOTED: EQUITY SHARES (NON TRADE)			
3,044,800 of Rs.2 each	- Ultramarine and Pigments Ltd.	53,775,623	53,775,623
68,500	- Quantum Digital Vision Limited	68,500	68,500
10,000	- Resins and Plastics Ltd.	300,000	300,000
650	- Andhra Petrochemicals Ltd.	10,026	10,026
1,375	- Nicholas Piramal India Ltd	122,728	122,728
137	- Piramal Health Care Ltd.	25,727	25,727
4,000	- Maruti Plastics Ltd	4,000	4,000
9,150	- Indu Nissan Oxo Chemical Ltd.,	9,150	9,150
100	- Tata Power Ltd.	15,399	15,399
100	- Ganesh Anhydride Ltd.	100	100
5000	Neyveli Lignite Corporation Limited	313,958	313,958
62	Piramal Glass Ltd.	620	620
Total of quoted investments A		54,645,831	54,645,831
[Market value of Quoted Investments Rs. 79,880,480 prev year Rs.121,983,957]			
UNQUOTED (TRADE)			
1,54,22,000	Ordinary shares of RM 1 each of TCL Industries(Malaysia) SDN BHD	182,769,550	182,769,550
5	Shares of Kamer Co-operative Housing Society Limited	250	250
200	Shares of The Sarawat Co-operative Bank Ltd	20,000	20,000
Total of Unquoted investments B		182,789,800	182,789,800
A+B		237,435,631	237,435,631
SCHEDULE : 7 INVENTORIES			
[As per inventory taken, valued and certified by a director]			
Stores and Spares		61,279,773	67,804,126
Fuel		2,631,000	8,419,346
Packing Materials		2,074,000	2,367,994
Raw Materials		408,627,000	498,923,015
Finished Goods		371,824,000	259,114,000
Work in Progress		54,176,000	99,727,000
Goods in Transit		11,965,741	24,567,137
Catalyst		55,965,167	79,571,908
Stock of Trading Items		90,000	398,068
		968,632,681	1,040,892,594

SCHEDULES TO THE ACCOUNTS

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 8: SUNDRY DEBTORS		
[Unsecured Considered Good]		
Debts outstanding for a period exceeding six months	228,160,669	168,434,003
Other Debts	1,076,887,584	1,388,794,686
	1,305,048,253	1,557,228,689
SCHEDULE 9: CASH AND BANK BALANCES		
Cash in hand	124,853	202,711
Balance with scheduled banks In Current Accounts	19,031,313	17,013,278
	19,156,166	17,215,989
SCHEDULE 10: LOANS AND ADVANCES		
[Unsecured Considered Good]		
Advances recoverable in cash or in kind or for value to be received	334,935,906	147,553,845
Taxes Paid in Advance (Net of provision for tax)	110,733,575	60,791,398
Deposits with Companies	50,720,000	39,660,000
Balance with Customs and Central Excise Departments	130,971,286	105,835,819
	627,360,767	353,841,062
SCHEDULE 11: CURRENT LIABILITIES		
Acceptances by banks	654,355,109	258,616,165
Sundry Creditors - Due to Small and Micro Enterprises	-	3,359,326
- Due to Enterprises other than above	671,051,595	440,900,827
Credit balance in current account with scheduled bank	186,499	-
Unpaid Dividend*	4,311,644	3,471,948
Unpaid Matured Deposits*	1,614,278	1,030,948
Unpaid Matured Debentures*	605,800	1,155,914
Interest Accrued on Unpaid amounts *	600,093	916,030
Deposits from Stockists and Others	7,592,529	7,535,320
Interest Accrued but not due on loans	4,900,123	6,746,382
	1,345,217,670	723,732,860
*See Note 18 of Schedule 19		
SCHEDULE 12: PROVISIONS		
Provision for gratuity	38,675,349	34,926,235
Provision for leave encashment	10,597,285	9,235,544
Proposed Dividend	-	102,388,120
Provision for tax on dividend	-	17,400,861
	49,272,634	163,950,760

SCHEDULES TO THE ACCOUNTS

	YEAR ENDED 31.03.2009 Rs.	YEAR ENDED 31.03.2008 Rs.
SCHEDULE 13: OTHER INCOME		
Interest[Gross]		
From Banks	-	-
From Others	17,616,822	11,640,902
[TDS Rs. 29,957 (Prev. Year 136,596)		
Rent received	1,937,695	1,987,930
Dividend received-On Long Term Investments	9,169,793	1,553,163
On Current Investments	236,754	81,939
Sundry Receipts	9,440,270	8,873,908
Storage Tank Receipts	22,968,757	14,736,389
Export incentives	9,220,544	9,404,914
Insurance Claims	580,199	10,036,094
	71,170,834	58,315,239
SCHEDULE 14: VARIATION IN STOCKS		
Opening Stock:		
Finished Goods	259,114,000	408,450,000
Work in Progress	99,727,000	45,508,000
	358,841,000	453,958,000
Closing Stock:		
Finished Goods	371,824,000	259,114,000
Work in Progress	54,176,000	99,727,000
	426,000,000	358,841,000
Variation in Stocks	67,159,000	(95,117,000)
SCHEDULE 15: MATERIALS CONSUMED		
Stock at commencement	498,923,015	375,212,918
Add: Purchases	3,631,563,639	4,272,038,848
	4,130,486,654	4,647,251,766
Less: Sales	13,571,471	3,460,614
Less: Stock at close	408,627,000	498,923,015
	3,708,288,183	4,144,868,137
SCHEDULE 16: EMPLOYEE'S EMOLUMENTS		
Salaries, Wages Bonus, etc	88,170,079	82,972,967
Contribution to Provident Fund and Other Funds	11,312,206	9,855,211
Staff Welfare expenses	5,158,456	10,202,646
	104,640,740	103,030,824

SCHEDULES TO THE ACCOUNTS

	YEAR ENDED 31.03.2009 Rs.	YEAR ENDED 31.03.2008 Rs.
SCHEDULE 17: OTHER CHARGES		
Stores and Spares consumed	38,457,023	25,671,792
Catalyst written off	23,860,057	66,314,585
Effluent Treatment and Water Treatment Materials consumed	2,335,357	5,618,019
Power and Fuel	171,850,864	151,718,920
Excise Duty on variation in Stocks	4,929,580	(32,752,693)
Water Charges	4,330,913	3,428,326
Repairs to:		
Machinery	11,573,972	17,421,285
Buildings	9,047,023	10,103,695
Others	1,908,653	1,768,228
Packing expenses and materials consumed	42,210,588	60,451,462
Freight and Forwarding	166,761,153	253,698,083
Sales Tax	54,585,087	91,540,763
Commission and Brokerage	19,482,425	21,529,899
Advertisement and Sales Promotion	504,875	316,591
Rent	271,000	181,000
Lease Rentals	2,584,492	2,584,492
Rates and Taxes	330,023	433,690
Insurance	11,721,990	14,829,070
Travelling and Conveyance	9,633,620	9,203,381
Communication Expenses	3,165,766	3,490,390
Research and development expenses	17,081,034	13,399,649
Miscellaneous Expenses	25,764,802	31,096,621
Legal and Professional Charges	14,977,843	6,115,888
Directors Remuneration	14,019,924	50,362,008
Exchange Fluctuation Loss (Net)	345,585,208	5,696,499
Loss on Sales of Assets	-	2,598,470
Bad debts and 'Sundry balances written off (Net)	3,208,751	(1,651,355)
	1,000,182,022	815,168,758
SCHEDULE 18: INTEREST AND FINANCE CHARGES		
On fixed Loans	62,859,591	98,905,924
On Others	107,405,810	39,808,281
TOTAL	170,265,401	138,714,205

NOTES FORMING PART OF ACCOUNTS

SCHEDULE 19 : NOTES TO ACCOUNTS

1 Contingent Liability in respect of:

	2008-09	2007-08
a Estimated amount of contracts to be executed on capital account and not provided for	28,15,845	99,412,017
Against which advances paid	28,15,845	31,377,901
b Counter Guarantees to Banks	51,472,000	41,080,800
c Bond in favor of excise authorities	501,200	300,000

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

	2008-09	2007-08
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. 1,799,945 (Previous year Rs. 1,799,945). The company has paid Rs. 1,350,000 (Previous Year Rs. 1,800,000) against the same which are shown under the head Advances.	NIL	NIL
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. 7,537,505). 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 had 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 High Court was of the opinion that the appeal was not maintainable and rejected the same as well as the Writ petition.

Aggrieved by this order, the Company filed a Special Leave Petition before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court has directed for issue of notice to the Respondents and granted interim stay in the matter. 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. 105,252,611 (Prev. Year Rs. 114,826,653) 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. 25,886,270 (Previous Year Rs. 80,318,152)

	2008-09 Rs.	2007-2008 Rs.
6 Sales is net of cash discount	31,250	155,320
7 Particulars in respect of goods manufactured		

	Licensed Capacity (MTs)		@ Installed Capacity (MTs)		Production (MTs)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Phthalic Anhydride	N.A	N.A	110,000	110,000*	62,941	87,336
Maleic Anhydride	N.A	N.A	17,750	17,750	676**	1,937**
Food Acids	N.A	N.A	17,000	17,000	5,210	5,606
Pthalate Esters	N.A	N.A	6,000	6,000	5,387	5,462

* With effect from 23/03/2008

** Excludes purchase from others 5,314 MTs (Previous Year 1,575 MTs.)

@ As certified by a Managing Director

NOTES FORMING PART OF ACCOUNTS

8 Particulars in respect of Stocks and Sales

a Sales :

	2008-2009		2007-2008	
	Quantity [MTs.]	Value [Rs.]	Quantity [MTs.]	Value [Rs.]
Phthalic Anhydride	57,511*	3,672,791,381	84,174*	5,541,588,455
Maleic Anhydride	2,871**	216,238,440	1,882**	155,271,443
Food Acids	4,552***	360,813,273	6,068***	373,483,591
Pthalate Esters	5,240****	430,029,366	5,392****	424,415,510
Others		5,395,689		3,063,725
		4,685,268,149		6,497,822,724

* Excluding 4,580 Mts. [Pre. year 4,652 MTs.] captive consumption

** Excluding 2,265 Mts. [Pre. Year 1,735 MTs.] captive consumption

*** Excluding NIL Mts. [Pre. year 10 MTs.] captive consumption

**** Excluding 15 Mts. captive consumption [Pre. year 21 MTs.]

b Opening Stocks

	2008-09		2007-08	
	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 MTs) valued at Rs.24,415,000 (Prev. Year Rs. NIL)

c Closing Stocks

	2008-09		2007-08	
	Quantity [MTs.]	Value [Rs.]	Quantity [MTs.]	Value [Rs.]
Phthalic Anhydride	4,540	254,593,000	3,690	217,868,000
Maleic Anhydride*	645	35,015,000	79	5,924,000
Food Acids	800	50,404,000	142	13,315,000
Pthalate Esters	487	31,812,000	355	22,007,000
		371,824,000		259,114,000

* Excludes purchased from others 738 MTs (Prev. Year 450 MTs) valued at Rs.46,123,000 (Prev. Year Rs. 24,415,000)

d Trading stocks
i. Chemicals , Dyes and Dye Stuffs

	2008-09		2007- 08	
	Quantity [MTs.]	Value [Rs.]	Quantity [MTs.]	Value [Rs.]
Opening Stock	—	—	—	—
Purchase	6,086.005	426,890,002	3.925	363,562
Sales	6,086.005	435,141,951	3.925	536,417
Closing Stock	—	—	—	—

ii Machinery items

	2008-09		2007 - 08	
		Rs.		Rs.
Opening Stock		398,068		15,190,244
Purchases		6,447,104		45,737,650
Sales		7,686,887		78,610,152
Closing Stock		90,000		398,068

9 Raw Material Consumed

	2008-09		2007-08	
	Quantity [MTs.]	Value [Rs.]	Quantity [MTs.]	Value [Rs.]
Orthoxylene	57,887	3,309,922,785	81,433	3,892,140,966
Benzene	975	29,451,637	1,864	94,242,670
Others	-	368,913,761	-	158,484,501
		<u>3,708,288,183</u>		<u>4,144,868,137</u>

b Details of Imported and Indigenous Raw Materials and Stores consumed

	2008-2009				2007-2008			
	Raw Materials		Stores and Spares		Raw Materials		Stores and Spares	
	Value [Rs]	%	Value [Rs]	%	Value [Rs]	%	Value [Rs]	%
Imported	3,457,061,674	93.22	5,00,054	1.30	2,569,110,052	61.98	1,496,209	5.83
Indigenous	251,226,509	6.78	37,956,969	98.70	1,575,758,085	38.02	24,175,583	94.17
	<u>3,708,288,183</u>	<u>100.00</u>	<u>38,457,023</u>	<u>100.00</u>	<u>4,144,868,137</u>	<u>100.00</u>	<u>25,671,792</u>	<u>100.00</u>

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

Particulars	2008-09	2007-08
I] Raw Materials	3,749,442,353	2,854,104,743
II] Spare parts and others	1,613,008	12,806,944
III] Capital goods	1,255,855	74,380,437

11 Expenditure in Foreign Currency

	2008-2009	2007 - 2008
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	1,099,024,992	915,002,452

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

Descriptions	2008-09 (Nos)	2007-08 (Nos)
LIC MF liquid fund – dividend plan	17,689,889.346	4,369,899.991

14 Capital work in progress includes the following:	Upto 31.03.2008 (Rs.)	During 2008-09 (Rs.)	Upto 31.03.2009 (Rs.)
Salaries and wages	8,118,207	2,054,182	1,0172,389
Power and fuel	—	972,000	972,000
Interest	998,083	2,675,285	3,673,368
Travelling	737,405	—	737,405

15 a Computation of Directors Remuneration

	2008 – 2009	2007 – 2008
Profit/(loss) as per Profit & Loss Account	(460,009,184)	305,000,618
Add: Directors Remuneration	14,019,924	50,362,008
Provision for Taxation-Current	NIL	181,000,000
Provision for Taxation- Deferred	(240,528,401)	(19,677,276)
Loss on Sale of Assets	NIL	2,598,470
Directors Fees	1,260,000	1,100,000
	(685,257,661)	520,383,820
Commission payable @ 1 % of Net Profit to each of the Managing Directors	NIL	3,469,225
Commission @ 3% payable to the Managing Directors (for the period August 2007 to March 2008)	NIL	20,815,353
Commission @ 1% payable to the Non Executive Directors	NIL	5,203,838
Restricted to Commission payable in terms of appointment as under	NIL	3,450,000
S. Sridhar	NIL	12,142,289
R. Parthasarathy	NIL	12,142,289
Non Executive Directors	NIL	3,450,000
		27,734,578

b Remuneration paid as per agreement between the Directors and the Company

Particulars	2008 – 2009 *	2007 – 2008
Salary	4,800,000	5,526,000
Commission	NIL	24,284,578
Contribution to provident fund and other funds	1,296,000	1,492,020
Provision for gratuity and leave encashment	7,923,924	11,876,076
Perquisites	NIL	3,733,334
	14,019,924	46,912,008

* The Directors are entitled to higher remuneration as per the appointment contract approved by members in the 34th Annual General Meeting held on Monday, July 16, 2007. However, due to inadequacy of profits during the year, minimum remuneration has been paid in accordance with Schedule XIII to the Companies Act, 1956.

16 Interest paid on fixed Loans include paid on Loans from managing Directors **578** 269,763

17 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 details are as follows:

a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	2008 – 09	2007 – 08
	4,779,571	3,308,848
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.	NIL	NIL

- 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 specified under the Micro, Small and Medium Enterprises Development Act, 2006. **65,980** 50,478
- d. The amount of interest due accrued and remaining unpaid at the end of each accounting year. **645,115** 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. **180,370** 464,745
- 18 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.
- 19 Miscellaneous expenses/Legal & Professional charges includes payments to Statutory Auditors as follows:

Particulars	2008 – 2009 (Rs.)	2007 – 2008 (Rs.)
Audit fees	500,000	450,000
For Certification	210,000	180,000
For Taxation matters	60,000	60,000
For Tax Audit	125,000	100,000
For Other Services	NIL	10,000
Service Tax	97,850	98,880
Out of Pocket expenses	4,192	1,650
	997,042	900,530

- 20 The business segment has been considered as the primary segment and the geographical segment has been considered as the secondary segment. "Chemicals" being the only business segment, necessary information has already been given in the Balance Sheet and Profit and Loss Account

The Company has two geographical segments viz., Domestic and Exports. Revenue from geographical segments based on location of customers is given below:

	2008-09 (Rs.)	2007-08 (Rs.)
Domestic	4,091,929,436	5,536,284,408
Exports	1,036,167,551	1,040,684,885
Total	5,128,096,987	6,576,969,293

Fixed assets used in the Company's business or liabilities contracted have not been identified to any segment as the fixed assets and services are used interchangeable between segments. Accordingly no disclosure relating to total segment assets and liabilities is made.

- 21 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 01.04.2008	Credit for the Current Year credited to Profit and Loss Account.	Deferred Tax Asset / Liability as at 31.03.2009
	Rs.	Rs	Rs
a) Deferred Tax Liabilities (DTL)			
(i) Depreciation.	276,555,944	(38,213,399)	238,342,545
(ii) Amortised expenses.	1,822,742	(219,632)	1,603,110
TOTAL	278,378,686	(38,433,031)	239,945,655
b) Deferred Tax Assets. (DTA)			
(i) Items covered u/s 43B/40(a)(ia).	8,399,594	(2,754,517)	5,645,077
(ii) Gratuity.	11,871,427	1,274,324	13,145,751
(iii) Amalgamation Expenses	138,231	(69,116)	69,115
(iv) for unabsorbed loss	—	203,644,679	203,644,679
TOTAL	20,409,252	202,095,416	222,504,668
Deferred Tax Liabilities (Net)	257,969,434	240,528,401	17,441,033

The company has recognized DTA for unabsorbed losses for the year. These losses were incurred mainly due to:

- a) unprecedented fall in commodity prices during the 3rd quarter resulting in inventory losses and
- b) fluctuations in foreign currency.

The company believes that these losses were exceptional and not expected to recur. In the 4th quarter, the company has already reported profits and hence there is virtual certainty to be able to recognize the DTA.

22 EARNING PER SHARE (EPS)

The basic and Diluted EPS is calculated as under:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Profit attributable to Equity Shareholders (Rs)	(460,009,184)	266,705,601
No. of equity shares (of Rs 10 each)	10,238,812	10,238,812
Earnings Per Share	(44.93)	26.05

23A 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.V.S.Ramaraju – President
- 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	517,733,914 (31,937,881)		517,733,914 (31,937,881)
Sale of goods	19,400,925 (82,063,291)		19,400,925 (82,063,291)
Expenses recharged by Company	1,896,902 (5,133,129)		1,896,902 (5,133,129)
Expenses recharged by them	55,505 (942,225)		55,505 (942,225)
Rendering of services	106,063 (81,267)	12,000 (12,000)	118,063 (93,267)
Outstanding payables	5,137,032 (266,186)		5,137,032 (266,186)
Outstanding receivables	419,924,935 (168,452,808)		419,924,935 (168,452,808)
Deposit taken	102,532,188 (181,738,233)		102,532,188 (181,738,233)
Interest Expenses on deposit taken	981,197 (12,496,463)	970,679 (2,059,811)	1,951,876 (14,556,274)
Interest Income on deposit given and extended credit for equipment supply.	4,519,530 (10,647,193)		15,011,672 (10,647,193)
Outstanding deposit receivable	52,274,242 (42,102,983)		52,274,242 (42,102,983)
Outstanding deposit payable	1,400,000 (1,400,000)	NIL (14,671,000)	1,400,000 (16,071,000)

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

	2008-09	2007-08
	(Rs.)	(Rs.)
ii) Remuneration paid to Key Management Personnel	2,201,201	1,949,640
iii) Remuneration paid to relatives of Directors	1,355,488	1,154,133

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

- A Purchase of Goods from Ultramarine and Pigments Rs. 11,085,413 (Rs. 31,937,881), TCL Industries (M) Sdn Bhd Rs. 512,156,843 (Rs. NIL)
- B Sale of Goods to TCL Industries (M) Sdn Bhd Rs. 19,395,570 (Rs. 82,063,291), Ultramarine and Pigments Limited Rs.5,355 (Rs. Nil)
- C Expenses Recharged from Ultramarine and Pigments Limited Rs. 1,896,902(Rs. 2,451,298) TCL Industries (M) Sdn Bhd Rs. NIL (Rs. 2,681,831)
- D Expenses Recharged by Ultramarine and Pigments Limited Rs. 55,505 (Rs. 942,225)
- E On rendering of services from Mr. R Parthasarathy Rs. 12,000 (Rs. 12,000) Ultramarine and Pigments Limited Rs.106,063 (Rs. 81,267)
- F Outstanding payables to Ultramarine & Pigments Limited Rs. 89,498 (Rs. 266,186) TCL Industries (M) Sdn Bhd Rs.5,047,534 (Rs. NIL)
- g. Outstanding receivable from TCL Industries (M) Sdn Bhd Rs. 419,677,651 (Rs. 168,083,064), from Ultramarine & Pigments Limited Rs. 247,284 (Rs. 369,744)
- h. Deposits Taken from Ultramarine & Pigments Limited Rs. 102,532,188 (Rs. 181,738,233)
- I Interest expenses on deposits taken from Ultramarine & Pigments Limited Rs. 981,197(Rs. 12,496,463), from Mr. R. Sampath Rs. 28,187 (Rs. 258,451), from Ms. Indira Dilip Thakkar Rs. 313,993 (Rs. 313,856), from Ms. Mitali Rohit Lakhanpal Rs. 332,195 (Rs. 331,566)
- J Interest income from TCL Industries (M) Sdn Bhd Rs. 14,976,073 (Rs. 10,647,193), Ultramarine & Pigments Ltd. Rs. 35,599 (Rs. NIL)
- K Outstanding deposits receivable from TCL Industries (M) Sdn Bhd Rs. 52,274,242 (Rs. 42,102,983)
- L Outstanding deposits payable to Ultramarine & Pigments Limited Rs. 1,400,000 (Rs.1,400,000), to Mr. R.Sampath Rs. NIL (Rs. 2,500,000), from Ms. Indira Dilip Thakkar Rs. 3,450,000(Rs. 3,450,000), from Ms. Mitali Rohit Lakhanpal Rs. 3,650,000 (Rs. 3,650,000)
- M Remuneration paid to Key Management Personnel Mr.S.V.S.Ramaraju Rs. 2,201,201 (Rs. 372,020), to Mr. S.Somasundaram Rs. NIL (Rs. 1,577,620)
- N Remuneration paid to relative of Directors Ms.V.Jaya Rs. 418,247 (Rs. 408,863), to Mr.S.Varadharajan Rs. 937,241 (Rs. 745,270)

24 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:

- Name and Country of Incorporation :: TCL Industries (Malaysia) SDN BHD, Malaysia
- Proportion of ownership interest :: 39.93%
- As per details given in Note No. 25, since TCLM has gone for creditors voluntary winding up, other details are not disclosed

25 The company has an investment of Rs.182,769,550/- in ordinary share of TCL Industries (Malaysia) Sdn Bhd (TCLM). TCLM has been making losses on the manufacture of Maleic Anhydride (MAN) due to the high prices of Benzene feedstock and as on 31st December 2007 its net worth had been eroded. In January 2008, TCLM successfully commissioned its plant for the manufacture of MAN from Butane instead of Benzene, which was expected to make TCLM competitive with other MAN manufacturers. However, with the global meltdown in Sep-Dec 2008 TCLM had to close operations as its operations became unviable. As a result, one of the unsecured creditors of TCLM appointed a provisional liquidator on 2nd January 2009. At the meeting of creditors and shareholders of TCLM on 3rd February 2009, the appointment of the provisional liquidator was confirmed. In view of the above developments, the realisability of the investment in TCLM is highly uncertain. The Board of Directors of the Company therefore in their meeting dated 28.01.2009 decided to write down the said investment of Rs182,769,550/- against the Securities Premium and other capital reserves of the Company.

After obtaining approval of Shareholders in the Extraordinary General Meeting held on 12.03.2009 for the same, the company has filed a petition before the Bombay High Court u/s. 78,100-104 of the Companies Act, 1956 to adjust the said amount against the Reserves of the Company. Pending receipt of the approval from the High Court till the date of adoption of these accounts, no adjustment has been carried out in the value of investments as on 31st March 2009.Had the company followed the provisions of AS 13 "Accounting for Investments" as prescribed by the Companies (Accounting Standards) Rules, 2006, the write-down in the value of the investment in TCLM would have to be charged to the Profit and Loss A/c with corresponding reduction in the profit for the year

The company also has other exposures in TCLM as detailed as under:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Deposits	50,720,000	39,660,000
Interest on deposits	1,554,242	2,442,983
Advances for supplies	201,205,908	NIL
Debtors	226,846,040	168,083,064

Since TCLM is continuing its operations under the control of the liquidator, the Company believes that the above amounts are recoverable.

26 **DISCLOSURES AS REQUIRED UNDER CLAUSE 32 OF THE LISTING AGREEMENT**

Loans and Advances Include

Amount receivable from Associates

Particulars	2008 – 2009 (Rs.)	2007 – 2008 (Rs.)
TCL Industries (Malaysia) SDN BHD	253,480,150	42,102,983
Maximum amount due at any time during the year	253,480,150	43,040,000

Sundry Debtors Include

Amount receivable from Associates

TCL Industries (Malaysia) SDN BHD	226,846,040	168,083,064
Maximum amount due at any time during the year	226,846,040	168,083,064

27 The Company has spent during the year Rs. 23,569,676 (Previous year Rs. 15,900,176)

towards Research and Development Project details of which are as under

Particulars	2008-09 (Rs.)	2007 –08 (Rs.)
Capital	6,488,642	2,500,527
Revenue (including Salaries Rs. 11,618,808, Prev. year Rs. 10,009,815)	17,081,034	13,399,649
Total	23,569,676	15,900,176

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

The disclosures 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	2008-2009	2007-2008
(i) Contribution to Employees’ Provident Fund	8,252,082	7,216,012
(ii) Contribution to Employees’ State Insurance Fund	820,773	1,115,865
(iii) Contribution to Employees’ Superannuation Fund	4,677,940	4,030,955
Total	13,750,795*	12,362,832*

* Rs. 1,142,589 (Rs. 1,015,601) included in Research and Development Expenses and Rs.12,96,000 (Prev. Yr. Rs.14,92,020) included in Managing Director’s remuneration.

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, 2009	For the Year Ended March 31, 2008
a) Present Value of Obligation as at April 1, 2008	34,926,235	16,232,743
b) Interest Cost	2,765,089	1,313,455
c) Past Service Cost	NIL	NIL
d) Current Service Cost	2,487,622	1,341,090
e) Current Cost/ (Credit)	NIL	NIL
f) Settlement Cost/ (Credit)	NIL	NIL
g) Benefits Paid	(2,914,646)	(2,311,305)
h) Actuarial (Gain) / Loss	1,411,049	18,350,252
i) Present Value of Obligation as at March 31, 2009	38,675,349	34,926,235

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

	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008
a) Current Service Cost	2,487,622	1,341,090
b) Past Service Cost	NIL	NIL
c) Interest Cost	2,765,089	1,313,455
d) Curtailment Cost / (Credit)	NIL	NIL
e) Settlement Cost/ (Credit)	NIL	NIL
f) Net Actuarial (Gain)/ Loss	1,411,049	18,350,252
g) Employees' Contribution	NIL	NIL
h) Total Expenses recognized in Profit and Loss A/c	6,663,760	21,004,797

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

Particulars	Gratuity	Gratuity
a) Discount Rate	7.75%	8%
b) Salary Escalation Rate – Management Staff	7%	7%
c) Turnover Rate	10%	10%
d) Mortality Table	LIC 1994-96 ultimate	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. 9,235,544 (Rs. 4,396,217) and the actuarial gain and losses are recognised in full in the Profit and Loss account for Rs. 1,361,741 (Rs. 4,839,327). The Present value of obligation as at March 31, 2009 is Rs. 10,597,285.

29 Foreign exchange derivatives and exposures outstanding at the close of the year :

Open foreign exchange exposures:

Particulars	2008-09		2007-08	
	Foreign Currency	Amount in Rs.	Foreign Currency	Amount in Rs.
Accounts Receivable	USD 14,082,560	716,235,215	USD 13,005,813	515,810,538
Accounts Payable *	USD 29,490,104	1,507,263,248	USD 27,809,900	1,110,832,826

*Forward contracts outstanding at year end for hedging payables (USD) 14,000,161 (Previous Year: NIL)

30 During the year the company has taken office premises under cancelable lease. Lease rent accounted in profit and loss account Rs.259,000/- (Previous Year Rs.133,000/-). The said lease is cancelable at the option of the lessee at three months notice
31 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,

other than temporary, in the value of investments. (Also refer Note-26 of Schedule:19)

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. Excise 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 exchange rate at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss account.

The company also enters into forward contracts to hedge some of its exposures in foreign currency. Profits/losses on settlement during the year and restatement of these contracts as at the year end, are credited/charged to the Profit and 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

30 Previous Years figures have been grouped wherever necessary

31 Balance sheet abstract and company's general business profile

I. Registration details	:	16149 State code : 11		
CIN	:	L24100MH1972PLC016149		
Balance Sheet Date	:	31-03-2009		
		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
2,992,628		2,992,628	102,411	749,975
Net Current Assets		Miscellaneous Expenditure	Accumulated Losses	
1,525,707		NIL	NIL	
IV Performance of Company (Amount in Rs. Thousands)				
Turnover		Total Expenditure	Profit Before Tax	Profit After Tax
4,840,548		5,539,287	(698,739)	(460,000)
Earnings per share (in Rs.) (44.93)		Dividend Rate – NIL		
V Generic Names of Three Principal Products/Services of Company [as per monetary terms]:				
Item Code No	:	2917.35.00		
Product Description	:	PHTHALIC 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	:	PHTHALATE ESTERS		

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

Contractor, Nayak & Kishnadwala
Chartered Accountants

S SRIDHAR
Chairman and Managing Director

R. PARTHASARATHY
Managing Director

H. V. KISHNADWALA
Partner
MUMBAI,
27th July, 2009

NARENDRA RAHALKAR
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009

	31.03.2009	31.03.2008
(A) CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	(698,739,664)	467,823,343
ADJUSTMENTS FOR		
DEPRECIATION	122,266,548	112,489,871
INTEREST	170,265,401	138,714,205
INTEREST / DIVIDEND RECEIVED	(27,023,369)	(13,276,004)
LOSS / (PROFIT) ON SALE OF INVESTMENT	0	0
LOSS / (PROFIT) ON SALE OF ASSETS	0	2,598,470
EARLIER YEAR ADJUSTMENTS	(567,921)	336,343
	264,940,659	240,862,885
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(433,799,005)	708,686,228
ADJUSTMENTS FOR		
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	39,662,908	(109,177,129)
(INCREASE) / DECREASE IN INVENTORIES	72,259,913	301,470,851
INCREASE / (DECREASE) IN TRADE AND OTHER PAYABLES	386,067,265	(797,695,312)
	497,990,086	(605,401,590)
CASH GENERATED FROM OPERATIONS	64,191,081	103,284,638
INTEREST PAID	(170,265,401)	(138,714,205)
DIRECT TAX PAID	(51,172,177)	(176,806,210)
DEFERRED TAX	240,528,401	19,677,276
	19,090,823	(295,843,139)
NET CASH INFLOW / (OUTFLOW) FROM OPERATIONS (A)	83,281,904	(192,558,501)
(B) CASH FLOW FROM INVESTMENT ACTIVITIES		
PURCHASE OF INVESTMENTS	0	3,552
SALE OF FIXED ASSETS	7,728	(2,416,975)
ASSETS SCRAPPED	0	0
(LOSS) / PROFIT ON SALE OF INVESTMENTS	0	0
PURCHASE OF FIXED ASSETS	(137,222,264)	(258,210,328)
INTEREST RECEIVED	17,616,822	11,640,902
DIVIDEND RECEIVED	9,406,547	1,635,101
DEPOSIT WITH COMPANIES	(11,060,000)	3,380,000
	(121,251,167)	(243,967,748)
(C) CASH FLOW FROM FINANCE ACTIVITIES		
PROCEEDS FROM BORROWINGS	290,523,964	162,806,441
DIVIDEND PAID (INCLUDING DIVIDEND TAX)	(119,788,981)	(107,810,083)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES (C)	170,734,983	54,996,358
NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS (A)+(B)+(C)	132,765,720	(381,529,891)
CASH AND CASH EQUIVALENTS - (OPENING BALANCE)		
- Cash and Bank balance	17,215,990	31,711,113
- Cash Credit	(619,397,660)	(252,362,893)
	(602,181,670)	(220,651,780)
CASH AND CASH EQUIVALENTS - (CLOSING BALANCE)		
- Cash and Bank balance	19,156,166	17,215,989
- Cash Credit	(488,572,115)	(619,397,660)
	(469,415,949)	(602,181,671)
TOTAL	132,765,720	(381,529,891)

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

Contractor, Nayak & Kishnadwala
Chartered Accountants

S SRIDHAR
Chairman and Managing Director

R. PARTHASARATHY
Managing Director

H. V. KISHNADWALA
Partner
MUMBAI,
27th July, 2009

NARENDRA RAHALKAR
Company Secretary

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