



ANNUAL REPORT

2016 - 17

Manali Petrochemicals Limited

Board of Directors

Ashwin C Muthiah	DIN: 00255679	Chairman
Brig (Retd.) Harish Chandra Chawla	DIN: 00085415	Director
Kulbir Singh	DIN: 00204829	Director
G Chellakrishna	DIN: 01036398	Director
Sashikala Srikanth	DIN: 01678374	Director
T K Arun (Nominee of TIDCO)	DIN: 02163427	Director
Muthukrishnan Ravi	DIN: 03605222	Managing Director
C Subash Chandra Bose	DIN: 06586982	Whole-Time Director (Works)

Company Secretary

R Kothandaraman

Chief Financial Officer

Anis Tyebali Hyderi

Registered Office

SPIC HOUSE, 88 Mount Road
Guindy, Chennai 600 032
CIN: L24294TN1986PLC013087
Telefax: 044-2235 1098
Email: companysecretary@manalipetro.com
Website: www.manalipetro.com

Factories:

Plant - 1

Ponneri High Road, Manali, Chennai 600 068

Plant - 2

Sathangadu Village, Manali, Chennai 600 068

Registrar and Share Transfer Agent (RTA)

Cameo Corporate Services Limited
Subramanian Building
1 Club House Road, Chennai 600 002

Auditors

Deloitte Haskins & Sells
Chartered Accountants
ASV N Ramana Towers
52, Venkatnarayana Road, T Nagar
Chennai 600 017

Cost Auditor

S Gopalan & Associates
Cost Accountants
F-1, Nethrambigai Apartments
15, Vembuli Amman Koil Street
K K Nagar West, Chennai 600 078

Secretarial Auditor

B. Chandra
Company Secretaries
AG 3, Navin's Ragamalika
26 Kumaran Colony Main Road
Vadapalani
Chennai - 600 026

Internal Auditors

Profids Consulting
Management Consultants
OMS Court, Level 3, 1 Nathamuni Street
Off GN Chetty Road, T. Nagar
Chennai - 600 017

Bankers

State Bank of India
Indian Bank
Punjab National Bank
Corporation Bank
HDFC Bank Limited

CONTENTS

1. Directors' Report and Management Discussion & Analysis Report.....	02
2. Report on Corporate Governance.....	07
3. Secretarial Audit Report.....	14
4. Particulars as required under Rule 3 of the Companies (Accounts) Rules, 2014.....	17
5. Extract from the Annual Return as on 31 st March 2017.....	18
6. Annual Report on CSR Activities during the year 2016-17.....	23
7. Auditors' Report on Standalone Financial Statements	25
8. StandaloneBalanceSheet.....	30
9. Standalone Statement of Profit and Loss.....	31
10. StandaloneCashFlowStatement.....	32
11. Notes to Standalone Financial Statements.....	33
12. Auditors' Report on Consolidated Financial Statements.....	55
13. Consolidated Balance Sheet.....	58
14. Consolidated Statement of Profit and Loss.....	59
15. Consolidated Cash Flow Statement.....	60
16. Notes to Consolidated Financial Statement.....	61
17. Form AOC-1.....	83

Directors' Report and Management Discussion & Analysis Report to the Shareholders

The Directors present their 31st Annual Report on the business and operations of your Company and the Audited Financial Statements for the year ended 31st March 2017.

Financial Results

(Rs. in crore)

DESCRIPTION	2016-17	2015-16
Profit Before interest & depreciation	70.79	77.66
Interest	1.86	2.52
Depreciation	7.84	5.88
Profit Before Tax	61.09	69.26
Provision for Taxation	20.66	21.05
Profit After Tax	40.43	48.21

Operational Highlights

Gross revenue from operations during the year was Rs. 643.35 crore against Rs. 642.46 crore during the year 2015-16. Unlike in the previous year, there were no major production cuts due to natural calamities and the Company could improve its capacity utilization with the removal of the restrictions on the production. Though the sales volume improved during the year, due to stiff competition from the overseas suppliers, the realizations were affected and so the revenue remained at similar level in spite of higher production. The impact of demonetization also affected the sales, as some of the user industries operate in unorganized sector doing business more in cash and so there was a fall in demand during the last two quarters. The gross profit margin came down to about 9.30% against 10.60% during 2015-16. It could also be seen that the net profit for the year at Rs. 41.28 crore was 15% lower than the previous year, signifying the squeezed margins.

The bio mass Captive Power Plant was not operated during the year, as it was more economical to use the furnace oil based energy. The Company continues to source power from third parties besides the power supplied by TANGEDCO.

Financial Review

During the year under review no changes were made to the Cash Reserve Ratio by RBI but the Statutory Liquidity Ratio was reduced from 21.50% to 20.50%. The Bank Rate which was 7.75% in March 2016 was reduced to 6.75% in March 2017. The deposit rates remained the same, but the lending rates came down marginally. The rupee appreciated significantly against the US Dollar and the forward premia also registered considerable reduction Vis a Vis at the beginning of the year. The average inflation during the year was 2.33% against 4.97% in the previous year. The finance cost for the year at Rs. 1.86 crore was lower by about 26% Vis a Vis the previous year through better treasury management.

The Company has been reaffirmed with ratings of CARE A- signifying 'low credit risk' for long-term bank facilities and CARE A1 signifying 'lowest credit risk' for short-term bank facilities for borrowings upto Rs. 100 crore.

Dividend

With the margins in the domestic market shrinking year on year, the Company has embarked on global acquisitions for better growth. The capital expenditure plans to improve the domestic sales and profitability as also to upgrade the effluent treatment process to higher standards are also carried on to the required extent and so the Company needs to preserve its resources to meet the long term funding requirements.

In the light of this and as per the policy to sustain the dividend track record, your Directors recommend a dividend of 10% i.e. fifty paise per equity share of Rs. 5/- each fully paid-up, for the year 2016-17, aggregating to Rs. 8.60 crore, excluding dividend distribution tax. The Board is happy to highlight that your Company has been declaring dividend continuously for the past twelve years.

Industry structure and development:

Your company operates in the Polyurethanes (PU) industry. PU is one of the most versatile polymers available in the current age and in many forms, ranging from soft foams to very rigid and tough materials. This provides opportunity for almost infinite applications, which are evolving continuously. During 2010 to 2016, the global PU market has grown by over 30% to nearly 18,000 KMT from 13,650 KMT and the aggregated revenue has enhanced by over 68% to 55.5 billion from 33 billion.

Your Company specializes in manufacture of propylene glycol and polyether polyol and is the only Indian manufacturer of Propylene Oxide, the input material for the aforesaid derivative products.

Polyols are made in four grades, viz., Flexible Slabstock, Flexible Cold Cure, Rigid and Elastomers. These find application in the automobile, refrigeration and temperature control, adhesive, sealant, coatings, furniture and textile industries.

Propylene Glycol is widely used in pharmaceuticals, food, flavour and fragrance industries and also for manufacture of polyester resins, carbonless paper and automobile consumables like brake fluid and anti-freeze liquid. Some of the major applications of PG include medicines, canned food, body sprays, perfumes, cosmetics, soaps and detergents. The off-take of PG for industrial purposes is generally low due to availability of alternate cheaper materials.

Your Company also produces Propylene Glycol Mono Methyl Ether (PGMME), an environment-friendly solvent used in the paints and coatings, electronics industries and as clouding agent in drilling applications.

Indian PU market has been infiltrated by huge imports and world-over new Polyol capacities have come up in the past few years especially in Thailand and Singapore without corresponding demand for the product in their region. This coupled with the slowdown in China has further pushed the imports into India over the past few quarters. Pricing has been a major issue, wearing away the margins which may continue in future, unless there is any marked improvement in the global economic growth.

Opportunities and threats:

Polyurethane materials, due to their versatility, perform extremely well as part of any application that is subject to dynamic stress. They provide many advantages including resilience, high tear resistance, low viscosity and low heat build-up. Polyurethane can be used for varied applications like building insulations, refrigeration, furniture, footwear, automotive, coatings and adhesives, sealants etc. The development of polyurethane materials is still evolving and new applications are regularly being created.

It has been reported that the Indian PU market is anticipated to grow at a CAGR of 7% during the period 2016 to 2020, simulated by increased use in construction applications, replacing the conventional fibreglass, mineral wool, etc. Though this market is still not matured in India, given the advantages such as higher insulation, living space, energy efficiency and environmental friendly, the usage is expected to grow further in the near future and open up better opportunities for the new products of your Company under development.

However, as mentioned earlier, the unabated imports of Polyol and PG dampen the outlook and the margins are bound to decline further. The Company continues its effort to ward off the threat through the available avenues in law and also through product development and concentrating on value added products such as water proofing, footwear applications, etc. The global investment plans are also aimed at improving the earnings of the Company.

Indian Market Scenario:

The Indian Polyol and PG markets continued to be dominated by imports. There has been no letup in the inbound volumes of Polyols in spite of levy of Anti-Dumping Duty (ADD) by the Government on imports of FSP from Singapore, Australia and EU in 2015-16. The imports have further increased with the new Polyol facilities set up in Thailand and Singapore becoming operational and the ADD on imports from China and Korea expiring in August 2015. Based on the application by your Company ADD has been levied on imports from Thailand from April 2017.

The imports of PG also has increased and the sales during the year under review was further affected due to the ban on fixed dose combination drugs by the Government imposed in March 2016, which however was revoked by the Delhi High Court in December 2016. During the year the Company identified trading as a new segment in addition to manufacturing. The segment wise performance details are furnished in the Notes to the Financial Statements.

Risk Management Policy

The Company has established a structured frame work for addressing business risk management issues. A risk management plan has been framed, implemented and monitored by the Board through the Risk Management Committee of Directors (RMC) comprising Ms. Sashikala Srikanth as the Chairperson, Mr. T K Arun, Director and Mr. Muthukrishnan Ravi, Managing Director as the other Members.

The Company has two employee-level Committees viz., a sub-committee and an Apex Committee, headed by the Wholtime Director (Works) to review and assess the risks that could affect the Company's business. The sub-committee brings out the matters that could affect the operations and the Apex Committee, determines the issues that could become business risks. The mitigation actions are also suggested by the Committee and the report of the Risk Controller is submitted to the Risk Management Committee of Directors (RMC). The RMC meets periodically, reviews the report of the Risk Controller and recommends actions to be taken in this regard.

As required under S. 177 of the Companies Act, 2013 (the Act), the Audit Committee also reviews the risk management process periodically.

Risks and Concerns

The duty concessions for import of polyols and other products under the free trade agreements with countries across the globe continue to boost cheaper imports into India, denying level playing field to the local manufacturers. The new facilities set up by major players such as DOW, BASF elsewhere with high capacities offer higher quantity of Polyols to Indian market at very low prices.

The Company continues to defend the case pending before the Southern Bench of the National Green Tribunal, Chennai against the marine disposal of the treated effluent. Further, improving the quality of the treated effluent to meet stricter standards has been another big challenge, in spite of various actions taken by the Company and the Company is in the process of implementing new techniques for the same.

Outlook:

As per the World Economic Outlook released by the World Bank in January 2017, global economic activities are projected to pick up pace in 2017 and 2018. While the outlook for developed economies has improved for 2017 and 2018, the prospects for emerging and developing economies has worsened, where the financial conditions have tightened generally.

The World Output for 2017 and 2018 are projected at 3.4% and 3.6%, Vis a Vis the estimate of 3.1% for 2016. Though a marginal increase is noticed, these are still below the average of 5% in 1990.

The world trade growth for 2017 is stated at 2.4%, but taking into account the forecast risk due to uncertainty about the near-term economic and policy development, a range of 1.8% to 3.4% has been indicated for 2017 and 2.1% to 4% for 2018.

The growth forecast for India for FY 2016-17 and 2017-18 were trimmed by one percentage point and 0.4 percentage point respectively over the previous estimates in October 2016. It has been stated that such a reduction is primarily due to the temporary negative consumption induced by cash shortages and payment disruptions associated with the currency note withdrawal and exchange initiative.

Notwithstanding the pruning of the growth prospects, India is projected to grow @ 7.2% in 2017 and 7.7% in 2018,

better than China @ 6.5% and 6.6%. The projections for Indonesia and Thailand have also been pruned and this may lead to increase in imports from this region.

Though the government has imposed Anti-Dumping Duty on import of Polyols from some countries, no visible relief has been felt so far. Also, the introduction of GST is expected to benefit the importer-traders through better input credits, which would bring down their cost that may be passed on to the customers.

New applications development for footwear, seat cushions for two wheelers, specialty polyols, drilling applications, water proofing, etc. are in progress but catering to the market in a large scale could take a longer time.

It is expected that the Green Building Code, hitherto a guideline would be made mandatory in the year 2017 across the country. This is expected to increase the demand for PU insulation products. The Code aims to make bigger buildings water and energy efficient, for which it would be obligatory to insulate the walls and reduce the power requirement. While some States have notified the Code already, the remaining states are expected to implement the same in the year 2017-18.

The bulk storage facilities for imported raw materials in Ennore Port helps the Company to increase the capacity of the derivative plants and go for more of value added products, but the prices have been going up. The facility for PO manufacturing being set up by another Company in Manali is expected to be completed during the current year or early next year. This would help to bring down the input cost by avoiding high cost imports.

As stated previously, the Company has been focusing on acquisition of overseas businesses to maximize the stakeholder values through its subsidiaries.

Subsidiaries

As at the year end, the Company had one Wholly Owned Subsidiary (WOS) and two Step Down Subsidiaries (SDS), all of which are incorporated outside India. The financials of all these subsidiaries have been consolidated and the financial and other information have been furnished in the Consolidated Financial Statement (CFS) attached to this Report.

AMCHEM, Singapore

AMCHEM Speciality Chemicals Private Limited, Singapore, became the WOS of the Company in 2015-16, to hold all the foreign assets of the Company. The Company has invested US\$ 16.32 million (Rs. 110.32 crore) in the WOS to part fund the acquisition of a system house in the UK and also for further exploratory work.

During the year under review the WOS set up AMCHEM Speciality Chemicals UK Limited as its WOS which acquired Notedome Limited. Thus, AMCHEM, UK and Notedome have become the SDS of MPL during the year. AMCHEM, Singapore continues to explore other opportunities for acquisition of existing overseas facilities to further improve the global presence of MPL. It has been reported that options for taking up other activities such as trading, transaction facilitations, business & project consultancy are also looked at by the subsidiary.

AMCHEM, UK

AMCHEM Speciality Chemicals UK Limited, London was established in August 2016 by AMCHEM Singapore as its WOS. AMCHEM, UK is an SPV for acquisition of Notedome Limited, Coventry, UK. The acquisition of Notedome Limited is effective 1st October 2016 which was achieved through the equity contributions from AMCHEM, Singapore and loans.

Notedome Limited, UK

Notedome, established in 1979, is a System House with more than 30 years' experience, manufacturing Neuthane Polyurethane Cast Elastomers catering to customers across 45 countries. Neuthane polyurethanes are used in diverse range of industries and applications, in the automotive sector for anti-roll bar, suspension and shock bushes for buses, trucks and other high performance vehicles, limit or bump stops, material handling etc. and in the agriculture sector for Rollers, Harvester components and idler wheels on track laying tractors. From the CFS it could be seen that the acquisition of Notedome has enhanced the consolidated earnings and hence has improved the overall performance within a short period of time.

Environment and Safety

Your Company has laid down clear policies for quality, environment and safety and has set-up various teams and committees to monitor and improve observance of the said policies. Besides periodical in-house reviews and audits, surveillance audits of ISO 9001 and ISO 14000 have been done regularly, ensuring proper adherence to the quality, environment and safety requirements. World Environment Day is celebrated and to mark the occasion tree planting and similar activities are undertaken. During the cyclone in December 2016 many trees were uprooted and the Company has taken immediate steps for planting new ones.

Your Company pays special attention to safety of men and material and various competitions are held during the Safety Week to create awareness among the employees about the need to adhere to safe manufacturing practices. Training is provided to the employees in safety related matters including first aid and mock drills are conducted to ensure that the systems and processes are in place to meet any eventualities. The Company has been awarded to first prizes for the year 2013, for longest accident free man hours and lowest accident frequency.

Audit Committee

The details are furnished under the Corporate Governance Report (CGR) annexed to this Report. All the recommendations of the Committee were accepted by the Board.

Vigil Mechanism

As required under S. 177 of the Act and Regulation 22 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015, (the Regulations) the Company has established a vigil mechanism for directors and employees to report genuine concerns through the whistle blower policy of the Company as published in the website of the Company. As prescribed under the Act and the Regulations, provision has been made for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

Human Resources

Your Company believes that achievement of its goals is reliant on the abilities of its workforce to convert the plans into actions. Therefore, every effort is taken to retain the talents and also introduce newer ideas from the younger generation, for the success story to continue. Various HR initiatives are also taken to enhance the competency of the employees through inclusive decision making process by delegation, recognition, leadership development, etc. Your Company imparts need based training to its employees with special focus on youngsters, stimulating them to play an important role in shaping the Company's future. The industrial relations have generally been cordial, except in relation to a wage dispute with the workmen from 2001, being contested earlier in the Supreme Court and now in the Madras High Court. The Management's efforts to settle the issue through dialogues have partially succeeded with a majority of the workmen accepting the offer, but others are persisting with the case.

In order to encourage better employee participation, the Company conducts open houses and has introduced employees suggestions scheme for them to provide ideas for product/process improvements and cost control.

As on 31st March 2017, your Company had 359 employees on its roll at different locations including Senior Management Personnel, Engineers, Technicians and Trainees.

Related Party Transactions

During the year under review, there were no transactions not at arms' length within the meaning of Section 188 of the Act or any material transactions with the related parties in terms of the policy framed by the Audit Committee of the Company as published in the website of the Company viz., <http://www.manalipetro.com/wp-content/uploads/2016/08/Policy-on-Transactions-with-Related-Parties.pdf>.

Board of Directors and related disclosures

The Board comprises of eight directors of whom four are independent including a woman director. All the Independent Directors have furnished necessary declaration under Section 149 (7) of the Act and as per the said declarations, they meet the criteria of independence as provided in Section 149 (6) of the Act.

The Board met six times during the year under review and the relevant details are furnished in the CGR.

The Board has approved the Remuneration Policy as recommended by the Nomination and Remuneration Committee (NRC), which inter alia contains the criteria for determining the positive attributes and independence of a director as formulated by the NRC. The policy on remuneration to directors is disclosed in the CGR annexed to this Report.

The term of office of Mr. G Balasubramanian, WTD (Works) ends on 27th May 2017 and the Board wishes to place on record its appreciation to Mr. Balasubramanian for his services during his tenure as a Director.

Mr. C Subash Chandra Bose has been appointed as an Additional Director and Wholetime Director (Works) for a period of three years with effect from 28th May 2017.

Mr. Bose will hold office till the ensuing Annual General Meeting (AGM) and requisite notice and deposit have been received under Section 160 of the Act for his appointment as a Director at the AGM. The proposal for his appointment and remuneration as the Wholetime Director (Works) has also been placed for consideration of the Members at the AGM.

The term of office of Mr. Muthukrishnan Ravi, (DIN:03605222) ends on 29th July 2017. The Board, at the meeting held on 31st January 2017 has reappointed him for a further period of three years, subject to the approval of the Central Government and the Members at the ensuing AGM. Mr. Ravi will not draw any remuneration from the Company and the proposal has been included in the notice of the AGM for consideration and approval by the Members by way of a special resolution. The Company has filed application with the Central Government for approval of the appointment of Mr. Ravi, as he has not been an Indian Resident for the 12 months preceding the reappointment, within the meaning of Schedule V Part I. Mr. Ashwin C Muthiah, [DIN: 00255679] Director retires by rotation and being eligible offers himself for re-election. There has been no change in the Key Managerial Personnel since the last Annual General Meeting.

Annual Evaluation of the Board, Committees and Directors

Board evaluated its performance taking the following aspects into account viz., Structure, Meetings, Functions, Risk Evaluation process adopted, grievance redressal mechanism, stakeholder value and responsibility, corporate culture and ethics and other matters. Board also took into account facilitation to the Independent Directors to function independently and perform their roles as another important parameter for the evaluation.

The performance of each of the Committees was evaluated taking into account the clarity and disclosure of the composition, mandate & working procedures, effectiveness, structure and meetings, independence and contribution in decision making process.

The evaluation of the two Executive Directors was done based on their assigned roles and responsibilities. As regards the other Directors, including the independent directors, the evaluation was done taking into account the following parameters, viz., qualification, experience, competency, adequacy of knowledge about the Company and its sector of operation, understanding about the strategic direction, ethical behaviour, participation in the risk evaluation process, resolving conflict of interests, attendance and participation at the meetings, ability to work as a team player and voluntary sharing of information for the larger benefit of the Company and the like.

In compliance with the requirements of Schedule VII to the Act and the Regulations, a separate meeting of the Independent Directors was held during the year.

Directors' Responsibility Statement

Pursuant to the requirement of sub-sections 3 (c) and 5 of Section 134 of the Act it is hereby confirmed that

- (a) in the preparation of the annual accounts for the financial year ended 31st March 2017, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (d) the Directors had prepared the accounts for the financial year ended 31st March 2017 on a "going concern" basis.
- (e) the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls were adequate and were operating effectively and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Details of unclaimed Share Certificates

In accordance with the requirements of the Clause 5A of the erstwhile Listing Agreement, shares remaining unclaimed even after 3 reminders have been transferred and held in a separate demat account. As per the information provided by the Registrars and Transfer Agent, out of the 15,93,201 shares, which remained unclaimed by 6,572 shareholders at the beginning of the year, 8,700 shares, were released to 24 shareholders during the year. As at the end of the year 15,84,501 shares remained unclaimed by 6,548 shareholders. As specified under the Regulations, the voting right on the above shares remain frozen.

Pursuant to the requirement under Section 125 of the Act, read with the relevant Rules, notices have been sent to the shareholders who have not encashed any dividend for seven years, for transfer of the related shares to the IEPF.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai were appointed as the Auditors of the Company at the 30th Annual General Meeting (AGM) held on 21st September 2016 to hold office till the conclusion of 31st AGM. In compliance with the provisions for rotation of auditors, the Company is required to appoint new Auditors at the ensuing AGM.

In this connection, the Audit Committee has recommended the appointment of M/s Brahmaya & Co, Chartered Accountants, Chennai as the Auditors of the Company on a fee of Rs. 10.75 lakh plus applicable taxes and reimbursement of out of pocket expenses for approval by the Members. As per S. 139 (1), the new Auditors will hold office for a period of five years, viz., till the 36th AGM to be held in the year 2022, subject to ratification of the Members at every AGM to be held till the conclusion of their office.

Cost Audit

Mr. S Gopalan, Proprietor, S Gopalan & Associates, Cost Accountants, Chennai was appointed as the Cost Auditor of the Company for the financial year 2016-17 on a remuneration of Rs. 3.50 lakh plus applicable taxes and reimbursement of out of pocket expenses which was ratified by the Members at the 30th AGM held on 21st September 2016. The Cost Auditor holds office till 30th September 2017 or submission of his report for the year 2016-17, whichever is earlier.

Adequacy of Internal Financial Controls

Your company has in place adequate internal financial control systems combined with delegation of powers and periodical review of the process. The control system is also supported by internal audits and management reviews with documented policies and procedures. The system was also reviewed by an external agency, and no major weaknesses were reported. To ensure effective operation of the system, periodical reviews are made by the Internal Auditors and their findings discussed by the Audit Committee and with the Auditors. The Auditors of the Company have also furnished certificates in this regard, which are attached to their Reports.

Corporate Governance

Your Company has complied with the requirements of Corporate Governance stipulated under the Regulations. A Report on Corporate Governance is given as **Annexure A** along with a Certificate from the Auditors is attached to this report.

Secretarial Audit Report

As required under Section 204 of the Act, the Secretarial Audit Report issued by Mrs. B Chandra, Company Secretary in practice is annexed to this Report (**Annexure B**).

Disclosures under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- a. The ratio of remuneration of Mr. G Balasubramanian, Wholtime Director (Works) to the median remuneration of the employees of the Company, was 13.
- b. The percentile increase in remuneration of the Company Secretary was 10%
- c. The percentage increase in the median remuneration of the employees (other than workmen who are covered under wage settlement for which a litigation is pending before the Madras High Court) was 6%
- d. As at the year end there were 255 permanent employees, including MD and WTD but other than trainees and probationers.
- e. During the year the average percentile increase in the salaries other than managerial remuneration was about 7% and there was no increase in the managerial remuneration.
- f. Information required under Rule 5(2) are given in **Annexure E** to this Report.
- g. The remuneration paid to the employees are as per the remuneration policy of the Company.

Other disclosures

- Information on conservation of energy, technology absorption, foreign exchange earnings and outgo prescribed under Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, to the extent applicable are given in **Annexure C**.
- The extract of the Annual Return in Form MGT-9 is given in **Annexure D**.
- The Company has not accepted any deposits from the public during the year under report.
- The information under Section 186 of the Act relating to investments, loans, etc. as at the year-end has been furnished in notes to the Financial Statement.
- The CSR Policy related disclosures are given in **Annexure F**.

Acknowledgement

Your Directors express their sincere gratitude to the Government of India, the Government of Tamilnadu, the Promoters and the consortium of Banks for the

assistance, co-operation and support extended to the Company. The Directors thank the shareholders for their continued support. The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees.

Disclaimer

The Management Discussion and Analysis contained herein is based on the information available to the Company and assumptions based on experience in regard to domestic and global economy, on which the Company's performance is dependent. It may be materially influenced by changes in economy, government policies, environment and the like, on which the Company may not have any control, which could impact the views perceived or expressed herein.

For and on behalf of the Board

Chennai
May 16, 2017

Ashwin C Muthiah
DIN : 00255679
Chairman

Annexure A

Report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance:

The Board of Directors of your Company strongly supports the principles of Corporate Governance. Emphasis is laid on transparency, accountability and integrity in all operations and dealings with all the stakeholders. Your Company has been following the best practices in corporate governance much before the same was made mandatory by SEBI.

This report covers the corporate governance aspects in your Company relating to the year ended 31st March 2017.

2. Board of Directors:

i. Composition and membership in other Boards and Board Committees:

As on 31st March 2017, the Board comprised of eight directors, as detailed below:

Name	Category	Membership	
		Other Boards	Other Board Committees
Mr. Ashwin C Muthiah, Chairman	Non Executive, Non Independent	3(2)	1
Brig (Retd.) Harish Chandra Chawla	Non Executive, Independent	2	1
Mr. Kulbir Singh	Non-Executive, Independent	2	1(1)
Mr. G. Chellakrishna	Non-Executive, Independent	1	2(1)
Ms. Sashikala Srikanth	Non-Executive, Independent	6	4(1)
Mr. T K Arun, Nominee of TIDCO	Non Executive, Non Independent	9	8
Mr. Muthukrishnan Ravi, Managing Director	Executive, Non Independent	-	-
Mr. G. Balasubramanian, Whole-time Director (Works)	Executive, Non Independent	-	-

Notes:

- Other Directorships exclude foreign companies, private limited companies, Section 8 companies and alternate directorships.
- Only Membership in Audit Committees and Stakeholders Relationship Committee (other than in MPL) are reckoned for Other Board Committee Memberships. Figures in brackets denote the number of companies / committees of listed companies of which the Director is the Chairperson.
- None of the Directors hold any shares in the Company nor have any inter se relationship.
- The details of familiarization programmes conducted for the Independent Directors are disclosed in the website of the Company at <http://manalipetro.com/wp-content/uploads/2016/08/FAMPROGWEB2016.pdf>

ii. Board Meetings, Annual General Meeting (AGM) and attendance thereat

The Board of Directors met six times during the year 2016-17 viz., on 23rd May 2016, 4th August 2016, 8th September 2016, 21st September 2016, 7th November 2016 and 31st January 2017. The 30th AGM was held on 21st September 2016. All the Directors attended all these meeting and the AGM, except Mr. Ashwin C Muthiah, Ms. Sashikala Srikanth and Mr. T K Arun who attended five meetings of the Board.

3. Audit Committee:

i. Terms of reference

The Audit Committee was constituted in August 1990, much earlier to being made mandatory under the then Listing Agreement and the Company Law. The terms of reference were reviewed during the year 2005-06 and modified in line with the then requirements of Clause 49 of the Listing Agreements with Stock Exchanges. At present, the terms of reference are aligned to the requirements of the Companies Act, 2013 (the Act) and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the Regulations).

ii. Composition

As on 31st March 2017, the Committee comprised of Mr. G. Chellakrishna as Chairman, Brig (Retd.) Harish Chandra Chawla, Mr. Kulbir Singh and Mr. T K Arun as the other Members. The Company Secretary is the Secretary to the Committee.

iii. Meetings and attendance

The Committee met four times during the year 2016-17 viz., on 23rd May 2016, 4th August 2016, 7th November 2016 and 31st January 2017. Mr. G. Chellakrishna, Brig (Retd.) Harish Chandra Chawla and Mr. Kulbir Singh attended all the meetings and Mr. T.K. Arun attended three of these meetings.

4. Nomination and Remuneration Committee:

(a) Composition, terms of reference and meeting

The Committee comprises of Mr. Kulbir Singh as the Chairman, Brig (Retd) Harish Chandra Chawla and Mr. T K Arun as the other Members.

The terms of reference include the following, viz., to identify persons who are qualified to become directors and who may be appointed in senior management, recommend to the Board appointment and removal of the directors, evaluate the performance of the directors, formulate criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy relating to the remuneration to the directors, key managerial personnel and other employees, devise policy on Board diversity and such other matter as may be prescribed under the Act, the Rules made thereunder and the Listing Regulations.

The Committee met four times during the year 2016-17 viz., on 23rd May 2016, 4th August 2016, 7th November 2016 and 31st January 2017. Mr. Kulbir Singh and Brig (Retd.) Harish Chandra Chawla attended all the meetings and Mr. T.K. Arun attended three of these meetings.

(b) Criteria for evaluation of the performance of the Independent Directors:

The criteria for evaluation of the performance of Independent Directors include their qualification, experience, competency, knowledge, understanding of respective roles (as Independent Director and as a member of the Committees of which they are Members/Chairpersons), adherence to Codes and ethics, conduct, attendance and participation in the meetings, etc.

5. Remuneration of Directors

(a) Remuneration policy and criteria for making payments to Non-Executive Directors

The Remuneration Policy of the Company as approved by the Board inter alia, contains the criteria for appointment of Independent Directors, Executive Directors, Key Managerial Personnel and other employees, manner of appointment, remuneration policy for Executive and Non-Executive Directors, Guiding principles for fixing remuneration to employees who are not directors, etc. The following is the Remuneration Policy for Directors

i. For Executive Directors

The remuneration of the Whole Time/Executive Directors shall comprise of a fixed component and a performance linked pay, as may be fixed by the Nomination and Remuneration Committee (NRC) and subsequently approved by the Board of Directors and Members. Performance Linked Pay shall be payable based on the performance of the individual and the Company during the year. Remuneration trend in the industry and in the region, academic background, qualifications, experience and contribution of the individual are to be considered in fixing the remuneration. These Directors are not eligible to receive sitting fees for attending the meetings of the Board and Committees.