MANALI
PETROCHEMICALS

ANNUAL REPORT

2017 - 18

Manali Petrochemicals Limited

Board of Directors

Ashwin C Muthiah	DIN: 00255679	Chairman
Brig (Retd.) Harish Chandra Chawla	DIN: 00085415	Director
Gangadharan Chellakrishna	DIN: 01036398	Director
Sashikala Srikanth	DIN: 01678374	Director
Govindarajan Dattatreyan Sharma	DIN: 08060285	Director
Thanjavur Kanakaraj Arun	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
Brahmayya & Co.
Chartered Accountants
48, Masilamani Road,
Balaji Nagar,
Royapettah,
Chennai - 600 014

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

Bankers
IDBI Bank Limited
The Federal Bank Limited
HDFC Bank Limited

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

The Directors present their 32nd Annual Report on the business and operations of your Company and the Audited Financial Statements for the year ended 31st March 2018.

Financial Results

During the year the Company has adopted the Indian Accounting Standards (IndAS) in compliance in the Companies (Indian Accounting Standards) Rules, 2015. The highlights of the financial results for the year are given below:

(₹ in crore)

DESCRIPTION	2017-18	2016-17
Profit Before Interest, Depreciation & Tax	**94.92**	73.52
Interest	**2.82**	1.86
Depreciation	**8.25**	9.19
Profit Before Tax	**83.85**	62.47
Provision for Tax	**28.98**	20.20
Profit After Tax	**54.87**	42.27

Operational Highlights

Net revenue from operations during the year was about ₹ 634 crore against ₹ 577 crore during the year 2016-17, registering an increase of about 10%. The margins were better during the year under review compared to the previous year which had been affected by demonetization and inventory reduction at the year-end by major players on account of the imminent GST implementation scheduled from 1st July 2017.

During the year under review earnings before interest and depreciation was about 15% Vis a Vis 12% in 2016-17, resulting in significant increase in net profits.

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.

During the year, additions to fixed assets was about ₹ 36 crore including for debottlenecking of the Polyol facilities which facilitated higher productivity and also revamp of the effluent treatment facilities.

Financial Review

The Indian financial markets have been in turmoil due to the overall risks of the banking sector elevating on account of asset quality concerns. Though the credit growth of the Scheduled Commercial Banks witnessed improvement during the first half, the public sector banks were lagging behind their peers in the private sector. There has been considerable raise in the gross non-performing assets ratio in the recent past, resulting from stricter norms imposed by the Reserve Bank.

On the credit disbursement, the Gross Bank Credit increased from ₹ 71,345 billion in March 2017 to ₹ 77,223 billion in March 2018, registering a y-o-y growth of 8.2% against 7.3% in the previous year. Credit off-take by industries sector recorded a growth of 0.70% vis-à-vis decline of 1.90% in 2016-17. However, the Petrochemical sector posted a decline of 23.7% against increase of 38.8% in the preceding year.

The interest rates hovered between 10% and 11% and no major changes were noticed during the year. The weighted average lending rates of the Public Sector banks was 10.75% in March 2017 and it reduced to 10.12% at the end of 2017-18. The WALR of private banks, foreign banks and other scheduled commercial banks were also in the same range, signifying that the interest rates were stable during the year under review.

During the year 2017-18, additional working capital facilities were sanctioned to the Company by new banks, providing flexibility to manage the funding requirements and also meet the capital initiatives, resulting in marginal increase in the finance cost.

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 borrowings upto ₹ 100 crore.

Dividend

Your Company has been following a consistent dividend policy, ensuring that the dividend payments are sustained even when the conditions are not favourable. You would be happy to note that the Company has an unbroken dividend track of 12 years till the last year.

In line with the above, your Directors recommend a dividend of 10% i.e. fifty paise per equity share of ₹ 5/- each fully paid-up, for the year 2017-18, aggregating to ₹ 8.60 crore, excluding dividend distribution tax.

Industry structure and development

Your Company operates in the Polyurethanes (PU) industry. PU is one of the most versatile polymers available in many forms, ranging from soft foams to very rigid and tough materials. This provides opportunity for almost infinite applications, which are evolving continuously. It mainly caters to industries like Automotive, Appliances, Building & Construction, Energy, Defence, Paints and Coatings, Soft furniture, etc. While the usage levels are advanced in the Europe, North America and Far East, in India it is still in the emergent stage.

The preference for lightweight but durable materials from end-use industries has been driving the demand for PU products in the recent years. While the global PU production grew at about 5% between 2015 and 2016, India recorded a sizeable raise of 13%, from 499 KT to 564 KT, against China's 3% though in terms of size, China is larger by almost six times. The growth prospects look to be bright in the coming years.

Your Company specializes in manufacture of propylene glycol, polyether polyol and related substances. Your

Company 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. Use of Polyols is gaining popularity in the footwear and roofing applications.

Propylene Glycol (PG) is a colorless, clear, nearly odorless, viscous liquid with a faint sweet taste chemical produced by reaction of propylene oxide with water. It is chemically neutral and so does not react with other substances.

PG when mixed with water, chloroform, and acetone can form a homogenous mixture and it tends to absorb moisture from air. Thus, it is useful in mixing contrasting elements such as perfumes and also consumed as solvent in a wide variety of applications.

PG is commonly made use of in pharmaceuticals, food and flavor & 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. MPL supplies more of food and pharmaceutical grade PG to the Indian market, which like the Polyols is dominated by imports. In addition to PG, the bye products such as DPG are also bought by smaller players for food, flavours and related applications mainly as preservatives.

Your Company also produces Propylene Glycol Mono Methyl Ether (PGMME), an environment friendly solvent used in paints and coatings and electronics industries. They also find use in oil exploration and drilling operations.

Indian PU and PG market continued to be pummelled by large volume of imports, aggravated by the new capacities that have come up in the past few years especially in Thailand and Singapore without corresponding demand for the product in their region. Pricing has been a major issue in the last few years, weaning away domestic customers from the local manufacturers. With the introduction of GST, the trader-importers have stood to gain through input credits, further firing up the price war.

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.

With costs going up, the need of the hour for the OEMs is to identify potential for savings in power costs which could be achieved by using lightweight but durable materials. This has stimulated high demand for newer PU products from user industries such as furniture, construction, appliances, footwear, automotive, brightening the prospects of the industry in the recent years. Of these the construction and footwear applications look to be promising.

Reports suggest that the PU market, earlier projected to grow at a CAGR of 7% during 2016 to 2020, would continue the trend till 2025. The increased use of the PU based materials in construction applications replacing the conventional fiberglass, mineral wool, etc. is expected to propel the demand. Though this market is still incipient in India, given the advantages such as higher insulation, living space, energy efficiency, 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. Also many Indian States are contemplating to introduce regulations for energy efficient buildings and so the popularity of the PU applications in this sector is set to grow further.

Besides the threat of lower margins due to ever increasing imports, tougher environmental laws could result in additional spending on the treatment process and also process changes. Though the Company succeeded in its efforts for imposition of anti- dumping duty on imports from certain countries, there had been no real relief either in the volume or in the pricing. So, the Company has taken various actions for product development to produce more value added products such as water proofing, foot-wear applications, etc.

Indian Market Scenario

Indian PU industry has recorded steady growth over the years mainly on account of rapid urbanization and improved disposable incomes in the hands of the consumers. Items such as refrigerators, mattresses, etc. which were considered extravagent have become essentials in most of the households. Flexible financing options have further aided the market growth. PU has established itself as the preferred material in the coatings segment on account of its superiority over the conventional materials and other advantages. Thus there has been major growth in the demand but the Indian market continues to be dominated by imports.

Indian PG market is also generally dominated by imports, but during the year under review your Company could get better realization from sale of PG on account of demand-supply mismatch globally, consequent to shutdown of some of the PG plants abroad. The major MNC players were able to sell their products overseas, reducing their supplies to India, resulting in better prices for the domestic manufacturers.

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 and Mr. T K Arun, Mr. G D Sharma and Mr. Muthukrishnan Ravi, as the other Members.

The Company has two employee-level Committees viz., a sub-committee and an Apex Committee, which is headed by the Wholetime 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 Committees 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 Act, the Audit Committee also reviews the risk management process periodically.

Risks and Concerns

As outlined earlier, the Indian Polyol and PG markets continue to be dominated by imports. 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. Even imposition of Anti-Dumping duties has not alleviated the woes of the domestic producers as the MNCs either supply the materials from places not covered under ADD or bear the additional cost.

The PU industry is concentrated globally and a major portion of the supplies are controlled by smaller number of producers. The top manufacturers control over 60% of the total PU production giving them enormous control over product pricing and other strategies. Such major multinationals enter into strategic alliances across countries to ensure that they have an upper hand in select regions. These arrangements jeopardize the interest of the smaller, domestic players in the industry with modest facilities.

Apart from the above frivolous actions with ulterior motives by the self-styled environment protectors have become a new threat to industries, especially the chemical processing sector. These call for higher outlay to have a relook at the existing processes resulting in disproportionate spend on the treatment and also the associated capital costs.

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. The Company explored various options for improving the quality of the treated effluent to meet stricter standards which had been a big challenge. As stated earlier MPL has completed the projects for revamp of the effluent treatment process and about ₹ 20 crore has been spent for the new treatment facilities. These are expected to improve the standard and quality of the treated effluent to the required levels, though the sustainability could be a concern in the long run, forcing the Company to spend higher amounts, affecting the profitability.

During the year, the period of lease relating to Plant 2 expired and though the Company filed its request for extension well in advance with the Government of Tamilnadu, the same is yet to be renewed. The Auditors have drawn their attention to this, but since the land has been put to use by the Company for the purpose for which it has been allotted and also as the matter is being closely followed up, your Company is confident that the request would be considered favourably by the authorities.

Outlook

As per the World Economic Outlook released by the World Bank in January 2018, global economic activities continued to firm up during the year 2017, recording an estimated growth of 3.7%, which is higher by just half a percent over 2016. It has been observed that the growth has been broad based, recording upsides in Europe and Asia. Growth forecasts for 2018 and 2019 have been projected at 3.9%. Though way below the 5% in 1990, this signifies increased global growth momentum. However, the US trade policy changes could create uncertainties in the growth pattern, as these would have impact across the global economy.

As regards India, the WEO has projected GDP growth of 7.4% and 7.8% in 2018 and 2019 respectively, against 6.7% in 2017. It could be noted that projections for China for the next years are lower at 6.6% and 6.4%, against the actual/ estimate of 6.7% and 6.8% in the preceding two years. The Asian Development Bank has also asserted that Indian GDP growth in the year 2018-19 would be better than 2017-18 with rural incomes expected to spur.

The years 2015-16 and 2016-17 were interrupted by demonetization and introduction of the Goods and Services Tax (GST), impacting the growth but the Indian economy looks to be getting back to a respectable growth of 7.5% in 2018-19. Though this is below the 13 year average, it augurs well for the overall confidence levels. It is expected that the focus in the Union Budget on the rural and agricultural sectors would generate more jobs and make available higher resources with the consumers to spend and invest. The GST is stabilizing and so the government revenue could go up appreciably paving way for higher spend on infrastructure, which in turn would add to employment. However unless the banking sector mishaps are set right early and the reform initiatives continue, the growth forecasts could be impacted, though the rural reconstruction actions and global recovery could be supportive to achieve the projected level of growth.

As indicated earlier, the projected higher growth, employment generation and rural focus are expected to provide the common man with higher disposable income, which is the key growth factor for consumer products. These are expected to improve sale of the products of your Company. The focus on higher value added products is continuing and the Company has taken actions for introducing the Notedome products to the Indian market. The Notedome products and other new applications developed for footwear, seat cushions for two wheelers, specialty polyols, drilling applications, water proofing, etc. are expected to benefit the Company in earning better margins, though it could take a longer time for these to mature and stabilize.

The Company looks to increase its production of the derivative products as the facility for PO manufacturing being set up by another Company in Manali is expected to be completed during the first half of 2018-19. The Company would also look at augmenting its capacity in future depending on the stability of the effluent treatment processes and domestic economic conditions.

Subsidiaries

As at the year end, the Company had one Wholly Owned Subsidiary 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 Statements (CFS) attached to this Report.

AMCHEM, Singapore

AMCHEM Speciality Chemicals Private Limited, Singapore, has been set-up by the Company in 2015-16, to expand its global footprint and to hold all the foreign assets of the Company. The Company invested US$ 16.32 million (₹ 110.32 crore) in the WOS to part fund the acquisition of Notedome Limited, UK and also for further exploratory work.

During the year 2016-17 the WOS set up AMCHEM Speciality Chemicals UK Limited as its WOS which acquired Notedome Limited. Thus, AMCHEM, UK and Notedome are the SDS of MPL.

During the year under review, the total income of AMCHEM, Singapore was US$ 0.98 million (₹6.36 crore) and the profit for the year was US$ 113,217 (₹73.64 lakh). AMCHEM, Singapore continues to explore other opportunities for acquisition of existing overseas facilities to further improve the global presence of MPL, besides taking up other activities such as trading, transaction facilitations, business and project consultancy.

AMCHEM, UK

AMCHEM Speciality Chemicals UK Limited, London was established in September 2016 by AMCHEM Singapore as its WOS, which completed the acquisition of Notedome Limited effective 1st October 2016 through the equity contributions from its holding company and bank loans. AMCHEM, UK at present continues to be the holding company of Notedome Limited, UK. The total income of AMCHEM UK was £0.471 million (₹4.35 crore) comprising mainly dividend from Notedome Limited and profit of £ 0.420 million (₹3.88 crore).

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.

The total revenue of Notedome for the year 2017-18 was £1.20 million (₹110.62 crore) and profit £ 0.59 million (₹5.45 crore). During the year under review the profitability was impacted due to unforeseen shut-down of some of the units of the raw material suppliers, resulting in higher input prices which could not be passed on to the customers immediately. The subsidiary has taken several actions to improve the margins through cost reduction and also price increase claims and the performance is expected to improve during the year 2018-19.

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.

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.

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 Companies Act, 2013 (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 ability of its workforce to convert the plans into actions. Therefore, every effort is taken to retain talent 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 dialogue have partially succeeded with a majority of the workmen accepting the offer, but others are persisting with the case.

As on 31st March 2018, your Company had 294 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://manalipetro.com/Policy_1.html.

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 and also the Listing Regulations. The Board met five 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 following changes took place in the composition of the Board since the last Annual General Meeting:

a. Mr. T K Arun (DIN: 02163427) who was a nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO), resigned effective from 9th November 2017 consequent to his superannuating from TIDCO. He has been appointed as an Additional Director with effect from 5th February 2018, in the category of Non-Independent, Non-Executive Director. Pursuant to Section 161 of the Companies Act, 2013, (the Act) he holds office till the ensuing Annual General Meeting (AGM)

b. Mr. Kulbir Singh, (DIN: 00204829) Independent Director vacated office on 15th November 2017, due to operation of law.

c. At the meeting held on 5th February 2018, Mr. G D Sharma (DIN: 08060285) has been appointed as Independent Director for five years.

There has been no change in the Key Managerial Persons after the last AGM.

The following proposals would be considered at the ensuing AGM for consideration and approval of the Members:

a. Appointment of Mr. T K Arun as a Director under Section 160 of the Act for which proposal has been received from the proposed appointee and recommended by the Nomination and Remuneration Committee.

b. Appointment of Mr. G D Sharma as a director and approval for his appointment as an Independent Director for a period of five years from 5th February 2018.

c. Appointment of a Director in the place of Mr. C Subash Chandra Bose (DIN: 06586982) who retires by rotation and being eligible offers himself for re-election.

d. Approval for increase in remuneration of Mr. C Subash Chandra Bose, Wholetime Director (Works).

Pursuant to proviso to S. 160 (1) there is no requirement of any deposit for the proposals for the appointment of Mr. T K Arun as a Director and approval of appointment of Mr. G D Sharma as an Independent Director.

Annual Evaluation of the Board, Committees and Directors

The formal evaluation of the Board was done taking into account the various parameters such as the structure, meetings, functions, risk evaluation, management of conflict of interests, stakeholder value and responsibility, corporate culture and value, facilitation to the Independent Directors to function impartially and other matters. The evaluation of the Committees was done based on the mandate, composition, effectiveness, structure and meetings, independence and contribution to the decisions of the Board.

The evaluation of the individual directors, including the independent directors was done taking into account their qualification, experience, competency, knowledge, understanding of their respective roles (as a Director, 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.

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 2018, 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 2018 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 are 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 15,84,501 shares, which remained unclaimed by 6,548 shareholders at the beginning of the year, 9,825 shares were released to 27 shareholders during the year. Further, 13,39,894 shares relating to 5,877 shareholders were transferred to the Investor Education and Protection Fund in compliance with the requirements of S. 124 (6) of the Act. As at the end of the year 2,34,782 shares remained unclaimed by 644 shareholders. As specified under the Regulations, the voting right on the above shares remain frozen.

Auditors

M/s Brahmayya & Co., Chartered Accountants, Chennai were appointed as the Auditors of the Company at the 31st Annual General Meeting held on 25th July 2017 and they will hold office for a period of five years.

The proposal for remuneration to the Auditors for the year 2018-19, as recommended by the Audit Committee is being placed before the Members for their consideration and approval at the ensuing AGM.

Cost Audit

Mr. S Gopalan, Proprietor, S Gopalan & Associates, Cost Accountants, Chennai was appointed as the Cost Auditors of the Company for the financial year 2017-18 on a remuneration of ₹ 3.50 lakh plus applicable taxes and reimbursement of out of pocket expenses which is to be ratified by the Members at the 32nd Annual General Meeting. The Cost Auditor holds office till 27th September 2018 or submission of his report for the year 2017-18, 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 audit and management review with documented policies and procedures. 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 a Practising Company Secretary.

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 enclosed to this Report as **Annexure B**.

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

a. The ratio of remuneration of Mr. C Subash Chandra Bose, Wholetime Director (Works) to the median remuneration of the employees of the Company, was 8.37.

b. The percentile increase in remuneration of the Company Secretary was 11% and the Wholetime Director (Works) was 8%

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 5%

d. As at the year-end there were 262 permanent employees, including MD and WTD but other than trainees.

e. During the year the average percentile increase in the salaries other than managerial remuneration was 6% and the increase in managerial remuneration was 8%

f. Information required under Rule 5(2) are given in **Annexure C** to this Report.

g. The remuneration paid to the employees are as per the remuneration policy of the Company.

Other disclosures

a. 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 D**.

b. The extract of the Annual Return in Form MGT-9 is given in **Annexure E.**

c. The Company has not accepted any deposits from the public during the year under report.

d. 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 Statements.

e. The CSR Policy related disclosures are given in **Annexure F.**

f. No cases were filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

g. The Company has complied with the requirements of all the applicable Secretarial Standards.

Acknowledgement

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

Ashwin C Muthiah
DIN : 00255679
Chairman

Chennai
May 16, 2018

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 2018.

2. Board of Directors

i. Composition and membership in other Boards and Board Committees

As on 31st March 2018, 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)	2(1)
Brig (Retd.) Harish Chandra Chawla	Non-Executive, Independent	3	2
Mr. Gangadharan Chellakrishna	Non-Executive, Independent	1	2(1)
Ms. Sashikala Srikanth	Non-Executive, Independent	6	5(1)
Mr. Govindarajan Dattatreyan Sharma	Non-Executive, Independent	-	-
Mr. Thanjavur Kanakaraj Arun	Non-Executive, Non-Independent	1	1
Mr. Muthukrishnan Ravi, Managing Director	Executive, Non-Independent	-	-
Mr. C. Subash Chandra Bose, Whole-time Director (Works)	Executive, Non-Independent	-	-

Notes:

a. Other Directorships exclude foreign companies, private limited companies, Section 8 companies and alternate directorships.

b. Only Membership in Audit Committees and Stakeholder's 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 in which the Director is the Chairperson.

c. None of the Directors hold any shares in the Company nor have any inter se relationship.

d. 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/MPL-Familiarization-Programme-for-Independent-Directors.pdf

e. The details of changes in the composition of the Board are furnished in the Directors' Report.

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

The Board of Directors met five times during the year 2017-18 viz., on 16th May 2017, 4th September 2017, 27th September 2017, 5th December 2017 and 5th February 2018. The details of the attendance of the directors at the Board Meetings and the AGM are as follows:

Name	Period of Office held during the year	No. of meetings held during the period of office	No. of Meetings attended	Attendance at the Last AGM on 25.07.2017
Mr. Ashwin C Muthiah	Full year	Five	Four	Yes
Brig. (Retd.) Harish Chandra Chawla	Full year	Five	Five	Yes
Mr. Kulbir Singh	Till 15.11.2017	Three	Three	Yes
Mr. G Chellakrishna	Full year	Five	Four	Yes
Ms. Sashikala Srikanth	Full year	Five	Five	Yes