

18th Annual Report 2002-03

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TECHNOLOGY TRIGGERED TURNAROUND

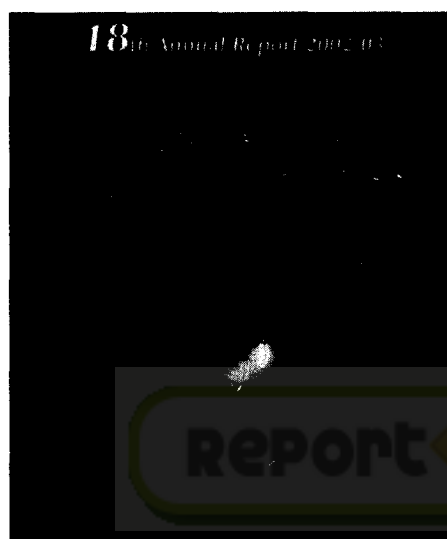


Sanskro Services Limited

TECHNOLOGY TRIGGERED TURNAROUND

As the consequences of globalisation begin to unravel, organisations committed to protect and preserve the interests of its stakeholders have to take up the strategy of re-engineering their business on a war footing. Tamilnadu Petroproducts Limited (TPL) rightly has focused its efforts in realigning its resources strategically to retain its leadership thrust and achieve cost control by effectively leveraging its size, technology upgradation and responsive customer care.

On the one hand, by strategically focusing on technology enabled productivity and using information technology, TPL is able to improve its competitiveness. On the other, it has endeavoured to consolidate the new Strategic Business Units by effectively reinforcing its core competency.



During 1992, TPL as part of its diversification schemes, ventured into a project for the manufacture of Epichlorohydrin (ECH), a product of the future, finding its application in every walk of life and a product with good export potential. The project, initially conceived as an integrated Caustic-cum-ECH plant, the first of its kind in India is located in Manali as a standalone ECH plant in view of proximity to the suppliers of key inputs viz., propylene and chlorine.

The ECH plant commissioned in March 1995 had constraints to operate at full capacity coupled with the non-availability of continuous supply of chlorine. Due to steep fall in import duty, the market for ECH was deterred by large scale imports of ECH and direct import of epoxy resin.

It is gratifying that TPL's efforts to overcome the supply constraints of chlorine through acquisition of Chlor Alkali Plant, a backward integration process, has enabled improved capacity utilisation of ECH plant.

The captive power plant, commissioned during the later part of the year, delivered highly reliable power at a lower cost which enabled lowering the operating cost of the power intensive Chlor Alkali Plant.

However, the prime factor leading to the turnaround of ECH operations is - Leveraging the new Japanese Technology (Allyl Chloride Mixer) for ECH operation which has proved to be invaluable. It enabled continuous operation and higher capacity utilisation at around 82% which has improved the operational efficiency. This is the first step towards achieving a technology triggered turnaround. Having achieved a production level of 8200 Mts during 2002 - 03, the highest level ever achieved since commissioning, TPL has now set its sight to achieve a capacity utilisation of 100% and above in the future.

All these efforts are expected to culminate in and contribute to the overall improvement of operational results. The strategic re-engineering, backward integration and leveraging the new technology have triggered off a turnaround to achieve a sustainable growth in line with the Corporate vision to be a 'Shining Star'.



Board of Directors

(As on 27th May 2003)

K. SKANDAN, IAS	Chairman
Dr. A.C. MUTHIAH	Vice Chairman
ARUN RAMANATHAN, IAS	Director
L. KRISHNAN, IAS	Director
ASHWIN C. MUTHIAH	Director
G.M. RAMAMURTHY	Director (IDBI Nominee)
A.C. CHAKRABORTTI	Director
M.R.B. PUNJA	Director
C. RAMACHANDRAN	Director
Dr. R. VIJAYKUMAR, Ph.D., IAS	Director
M. SUNDARAM (Whole-time Director)	Director & Chief Operating Officer
D. ARUNACHALAM (Whole-time Director)	Managing Director & Chief Executive Officer
AUDIT COMMITTEE	
A.C. CHAKRABORTTI	Chairman
M.R.B. PUNJA	Member
C. RAMACHANDRAN	Member
G.M. RAMAMURTHY	Member
Dr. R. VIJAYKUMAR, Ph.D., IAS	Member
P.R.K. RAO	Chief Financial Officer
M.B. GANESH	Secretary

REGISTERED OFFICE & FACTORY

Manali Express Highway, Manali,
Chennai - 600 068.
Tel : 25941501-10 : Fax : 25941139
E-mail : isd@tnpetro.com

CORPORATE OFFICE

"TPL House", 3rd Floor,
No.3, Cenotaph Road, Teynampet,
Chennai - 600 018.
Tel : 24311035 : Fax : 24311033

AUDITORS

A.F. Ferguson & Co.,
Chartered Accountants,
No.5, Nandanam Extension, 1st Street,
Nandanam, Chennai - 600 035.

LEGAL ADVISOR

T. Raghavan,
25, Mowbrays Road, Chennai - 600 018.

REGIONAL OFFICE

Rex Building, C-127 (II Floor)
Naraina Industrial Area, Phase I,
New Delhi - 110 028.
Tel : 011-25896426 : Fax : 011-25896427

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Bikaner & Jaipur
State Bank of Patiala
Bank of America
UTI Bank Ltd.
Federal Bank Ltd.
Indusind Bank Ltd.

SECRETARIAL DEPARTMENT

Manali Express Highway,
Manali, Chennai - 600 068.
Tel : 25940761 (Direct) 25941501-10 Ext.(2388)

REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Limited
"Subramanian Building",
1, Club House Road, Chennai - 600 002.
(Tel : 28460084 / 28460395) Fax : 28460129

Website : www.tnpetro.com

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OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Gross Profit	114.57	142.01	151.33	164.29	125.22
Interest	28.62	23.05	34.53	37.00	38.13
Profit before depreciation	85.95	118.96	116.80	127.29	87.09
Depreciation	25.81	35.48	42.89	47.46	49.98
Provision for tax	14.30	32.50	22.50	26.68	11.08
Profit after tax	45.84	50.98	51.41	53.15	26.03
Extraordinary Item	--	--	63.02	(3.00)	(3.00)
Profit after Extraordinary Item	--	--	114.43	50.15	23.03
Transfer to:					
Debenture Redemption reserve	--	--	12.50	--	12.50
General reserve	73.04	26.34	63.02	45.53	2.00
Networth	322.55*	355.83*	445.48*	372.62**	382.97*

* Net of Revaluation Reserve

* During the year, Rs.100.51 Crores was transferred to Deferred tax liability.

NOTICE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held at 10.00 a.m. on Friday the 8th August 2003 at Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade (Near High Court), Chennai - 600 108 to transact the following business:

Ordinary Business

1. To receive and adopt the audited Balance Sheet as at 31st March 2003 and Profit and Loss Account of the Company for the year ended 31st March 2003 and the Report of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Thiru M R B Punja, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Thiru C. Ramachandran, who retires by rotation and being eligible offers himself for re-election.

5. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors be and are hereby re-appointed as Statutory Auditors of the Company to hold office until the conclusion of the Nineteenth Annual General Meeting on such remuneration as may be decided by the Board of Directors plus reimbursement of out of pocket expenses and levies such as service tax etc."

Special Business

6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Thiru Arun Ramanathan, IAS, be and is hereby appointed as Director of the Company."

7. To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution:

"RESOLVED THAT pursuant to clause 5.1 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and other applicable provisions if any of the Companies Act, 1956, the consent of the Company be and is hereby given for delisting of the equity shares (voluntarily) of the

Company from The Delhi Stock Exchange Association Limited and The Stock Exchange, Ahmedabad."

8. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company by deposit of title deeds on first charge pari passu basis of all the immovable and movable properties of the Company wheresoever situate, both present and future, except for DG Sets & Auxiliary equipments in the Chlor Alkali Plant and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the company in certain events, to or in favour of IDBI Trusteeship Services Limited (ITSL) acting as trustees for Debentureholders mentioned herein to secure;

- (a) 500 Nos. (Series A) of 12% Rated Secured Redeemable Non Convertible Debentures of Rs. 10,00,000 each aggregating Rs.5000 lacs privately placed with General Insurance Corporation of India for Rs.1000 lacs, ICICI Bank Limited for Rs.1500 lacs and UTI Bank Limited for Rs.2500 lacs and
- (b) 500 Nos. (Series B) of 12% Rated Secured Redeemable Non Convertible Debentures of Rs.10,00,000 each privately placed with UTI Bank Limited for Rs.5000 lacs.

together with interest thereon at the respective agreed rates, interest, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to Debentureholders mentioned herein under their respective Heads of Agreement/Loan Agreement/Letters of Sanction/Memorandum of Terms and conditions entered into/to be entered into by the Company in respect of the said debentures."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with ITSL, the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

By Order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

M.B. GANESH
Secretary

27th May 2003
Chennai - 600 068.

**Notes :**

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolutions set out against Item Nos. 6 to 8 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 18th July 2003 to 8th August 2003 (both days inclusive).
4. Dividend on shares as recommended by the Board of Directors, if declared at this Annual General Meeting will be paid to those Shareholders whose names appear in the Register of Members on 8th August 2003.
5. Members are therefore requested to notify immediately any change in their address to the Company/Share Transfer Agents/Depository Participants.
6. Claims on unclaimed dividend, if any, for the financial years 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001 & 2001-2002 shall be made to the Company or

Share Transfer Agents. The shareholders may kindly note that the amounts in the unpaid dividend account relating to the financial year 1996-97 is due for transfer during October 2004 to "Investor Education and Protection Fund" established by the Central Government under Section 205C of the Companies Act, 1956.

7. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
8. Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
9. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays, Sundays and holidays between 8.15 A.M. to 5.00 P.M. upto the date of the Annual General Meeting.

The Company's equity shares are listed at Mumbai (BSE), National (NSE), Delhi, Ahmedabad and Madras Stock Exchanges and the listing fees for the year 2003-04 have been paid in time.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Thiru Arun Ramanathan, IAS was appointed as Director & Chairman of the Company representing TIDCO Limited at the Board Meeting held on 12th July 2002 in the place of Thiru M.A. Gowrishankar as per Section 262 of the Companies Act 1956 (the Act). Thiru Arun Ramanathan ceased to be Chairman w.e.f. 16th September 2002 but continued to be Director. Thiru Arun Ramanathan shall hold office upto to the date of this Annual General Meeting. The Company has received notice under Section 257 of the Act, from TIDCO proposing Thiru Arun Ramanathan for appointment to the office of Director along with a deposit of Rs.500/-. Hence the proposed resolution.

None of the Directors except Tvl. K. Skandan, I.A.S., L. Krishnan, IAS, Dr. R Vijaykumar, Ph.D., IAS, and Arun Ramanathan, I.A.S., are interested in the resolution.

Item No. 7

The Company's equity shares are presently listed in Madras Stock Exchange (MSE), The Stock

Exchange, Mumbai (BSE), The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited and The National Stock Exchange of India Limited (NSE). As per clause 5.1 of the "Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, a Company is permitted to voluntarily delist the equity shares subject to the following conditions :

- (a) the securities of the Company have been listed for a minimum period of 3 years on any stock exchange
- (b) an exit opportunity has been given to the investors
- (c) obtained approval of shareholders by way of special resolution. The guidelines further provide that an exit opportunity need not be given in cases where the securities continue to be listed in a stock exchange having nation wide terminals (namely NSE & BSE).

The trading activity of the Company's equity Shares is insignificant or nil in Ahmedabad, Delhi and Madras Stock exchanges for the past few years. Retaining the listing with NSE, BSE and MSE, being the

Regional Exchange it is proposed to voluntarily seek delisting of the equity shares from Delhi & Ahmedabad Stock Exchanges. The voluntary delisting will not affect liquidity since the trading can well be done through the nation wide terminals of the BSE and NSE with whom the listing would continue. The Company's equity shares have been listed for 3 years. Hence, the Company is entitled to seek voluntary delisting subject to approval of shareholders. Hence the proposed resolution seeking approval of the shareholders.

None of the Directors is interested in the resolution.

Item No.8

The Company during the current year allotted on private placement basis (in two tranches) 1000 Nos., 12% Rated Secured Redeemable Non Convertible Debentures of Rs.10,00,000/- each aggregating Rs.10000 lacs with General Insurance Corporation of India, ICICI Bank Limited and UTI Bank Limited for funding capital expenditure. The aforesaid debenture assistance is to be secured by an extension of first mortgage and charge on all immovable and movable properties of the company both present and future

except for DG sets & Auxiliary equipments in the Chlor Alkali Plant ranking pari passu with the first charges created/to be created and /or to be created in favour of the existing charge holders.

As per Section 293(1)(a) of the Companies Act, 1956 the Board of Directors require the consent of the shareholders in general meeting to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking or the whole or substantially the whole, of any such undertaking.

Since mortgaging/charging by the company of its movable and immovable properties in favour of ITSL, is considered as otherwise disposing of the Company's properties, approval of the shareholders is required under Section 293 (1)(a) of the Companies Act, 1956 for creation of such mortgages/charges.

Hence the proposed resolution.

None of the Directors is interested in the resolution.

By Order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

27th May 2003
Chennai - 600 068.

M.B. GANESH
Secretary

Information required to be furnished under the Listing Agreement about the particulars of Directors who are proposed to be appointed / re-appointed at the 16th AGM.

Item No. 3 of the Notice

Name : Thiru M.R.B. Punja, Age : 77 Years, Qualification : B.A., Expertise : Former Chairman, IDBI.

OTHER DIRECTORSHIPS:

S.No.	Name of the Company	Position held
1.	Andhra Petrochemicals Ltd.	Chairman
2.	LML Ltd.	Chairman
3.	Suprajit Engineering Ltd.	Chairman
4.	Adeep Roloforms Limited	Chairman
5.	Adeep Locks Limited	Chairman
6.	Hindustan Spg. Wvg. Mills Ltd.	Director
7.	Apollo Tyres Ltd.	Director
8.	Deepak Nitrite Ltd.	Director
9.	Chowgule Steamships Ltd.	Director
10.	Polychem Ltd.	Director
11.	Seshasayee Paper & Boards Ltd.	Director
12.	SUSHRUTA Medical Aid & Research Hospital Ltd.	Director

**COMMITTEE MEMBERSHIPS**

S.No.	Name of the Company	Committee Type	Position held
1.	LML Limited	Audit Committee Share Transfer / Shareholder Redressal Committee Remuneration Committee	Chairman Chairman
2.	Deepak Nitrate Limited	Audit Committee	Chairman
3.	Hindustan Spinning & Weaving Mills Limited	Audit Committee	Member
4.	Suprajit Engineering Ltd.	Share Transfer Committee	Member
5.	Tamilnadu Petroproducts Ltd.	Audit Committee	Member
6.	Seshasayee Paper & Boards Limited	Audit Committee Remuneration Committee	Member Chairman

Item No. 4 of the Notice

Name : Thiru C. Ramachandran, Age : 65 Years, Qualification : IAS Expertise : Indian Administrative Service (Retd.)

OTHER DIRECTORSHIPS:

S.No.	Name of the Company	Position held
1.	Gandhimathi Appliances Limited	Director

COMMITTEE MEMBERSHIPS

S.No.	Name of the Company	Committee Type	Position held
1.	Tamilnadu Petroproducts Ltd.	Audit Committee Share Transfer / Shareholders Investors Grievance Committee	Member Member

Item No. 8 of the Notice

Name : Thiru Arun Ramanathan, Age : 54 Years, Qualification : IAS Expertise : Indian Administrative Service. Presently Chairman & Managing Director of TIDCO Limited.

OTHER DIRECTORSHIPS:

S.No.	Name of the Company	Position held
1.	TIDCO Ltd.	Chairman & MD
2.	Tamilnadu Telecommunications Ltd.	Chairman
3.	Tanflora Infrastructure Park Ltd.	Chairman
4.	TIDEL Park Ltd.	Chairman
5.	TICEL Bio Park Ltd.	Chairman
6.	Tanfac Industries Ltd.	Chairman
7.	Tamilnadu Corpn.for Industrial Infrastructure Dev.Ltd.	Director
8.	Titan Industries Ltd.	Director
9.	Southern Petrochemical Industries Corpn.Ltd.	Director
10.	Mahindra Industrial Park Ltd.	Director
11.	Nagarjuna Oil Corpn.Ltd.	Director
12.	Tamilnadu Road Development Co.Ltd.	Director
13.	ATMAC Ltd.	Director
14.	State Industries Promotion Corpn.of Tamilnadu Ltd.	Director

COMMITTEE MEMBERSHIPS

S.No.	Name of the Company	Committee Type	Position held
1.	Southern Petrochemical Industries Corpn.Ltd.	Audit Committee	Member
2.	Titan Industries Limited	Audit Committee Remuneration Committee	Member Member
3.	Mahindra Industrial Park Limited	Audit Committee	Member

DIRECTORS' REPORT

To

The Shareholders

The Directors have pleasure in presenting their Eighteenth Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2003 (current year).

FINANCIAL RESULTS

	(Rupees in Crores)	
	2002-03	2001-02
Profit before Depreciation and Interest	125.22	164.29
Interest	38.13	37.00
Profit after Interest	87.09	127.29
Depreciation	49.98	47.46
Profit before Tax	37.11	79.83
Provision for Tax	11.08	26.68
Profit after Tax	26.03	53.15
Extraordinary Item	(3.00)	(3.00)
Transfer to General Reserve	2.00	45.53
Balance carried to Balance Sheet	37.85	30.00

OPERATIONAL HIGHLIGHTS

Your Company has achieved record production of LAB, ECH, Caustic Soda/Chlorine during the current year with capacity utilisations of 107%, 82% and 96% respectively. The sales achieved is a new milestone. As a result of higher sales volume, the Company was able not only to sell its complete production for the year, but was also successful in bringing down its inventory of finished goods substantially. However, despite this high level of performance in tangible terms, the Company's overall financial result was adversely impacted due to steep increase in feedstock and fuel prices combined with softening of product prices.

Your Company uses a variety of petroleum products as key inputs whose prices are dependent on international oil price. The volatility of the oil prices in the current year due to the recent war in the Middle East (Gulf War II) had an adverse impact on the profitability of your Company. The cost of raw materials, power and fuel has increased from 40% of sales in the year 2001-02 to 51% of sales in the current year.

Your Company exported LAB to the Middle East, Far East and Europe. It has also exported significant quantities of ECH to the Middle East for the first time. The total value of foreign exchange earnings through exports during the current year was around Rs.93.64 Crores.

As the hostilities at Middle East are coming to an end, your Company hopes that the prices of petroleum products would come down to normal levels. A Captive Power Plant of 18.6 MW was successfully commissioned during September 2002 which has started contributing to reduction in cost of power for the power intensive Chlor Alkali plant. A major breakthrough achieved in the capacity utilisation of ECH plant is expected to pave the way for a turnaround of ECH business. Your Company has also embarked upon other cost saving measures. Efforts are being made for further cost reduction, enhancement of capacity and new market development which are expected to improve the performance and financial results in next year.

FINANCE

Your Company had raised Rs.100 Crores Non Convertible Debentures during the current year through private placement from banks and financial institutions, which will be utilised for expansion and other similar purposes. Seven (7) Floating Rate Convertible Notes (FRCN) amounting to Swiss Franc 0.35 Million are outstanding as at the year end and are redeemable in future. Your Company has also given active consideration to reduce interest burden in the future through swapping of loans carrying high rate of interest, the benefit of which will accrue in the future.

Extraordinary Item

Extraordinary item for the year 2002-03 represents a provision of Rs. 3 Crores for diminution in value of certain long term investments. A similar sum was provided in the year 2001-02. This has been done in line with Accounting Standard 13.

DIVIDEND

Your Directors now recommend payment of a dividend of 12.5% on the Equity share capital, aggregating Rs.11.25 Crores.

SAFETY, HEALTH & ENVIRONMENT

Very high level of safety standards continued to be maintained by your Company. Your Company has won the National Safety Award from British Safety