



Tamilnadu Petroproducts Limited

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23rd ANNUAL REPORT
2007 - 08



BOARD OF DIRECTORS

(As on 24th July 2008)

M.F. FARCOQUI, IAS	Chairman
DR. A.C. MUTHIAH	Vice Chairman
KUMAR JAYANT, IAS	Director
T.S. SURENDRANATH	Director
S. SUSAI	Director
ASHWIN C. MUTHIAH	Director
C. RAMACHANDRAN	Director
DHANANJAY N. MUNGALE	Director
N.R. KRISHNAN	Director
Dr. K.U. MADA	Director
V. RAMANI (Whole-time Director)	Director & Chief Financial Officer
R.M. MUTHUKARUPPAN (Whole-time Director)	Managing Director
AUDIT COMMITTEE	
C. RAMACHANDRAN	Chairman
S. SUSAI	Member
DHANANJAY N. MUNGALE	Member
N.R. KRISHNAN	Member
DR. K.U. MADA	Member
M.B. GANESH	Secretary

REGISTERED OFFICE & FACTORY

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

CORPORATE OFFICE

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

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants,
Old No. 37, New No. 52, ASV Ramana Towers,
Venkatanarayana Road, T.Nagar,
Chennai - 600 017.

LEGAL ADVISOR

T. Raghavan,
New No. 41, Kasturi Ranga Road,
Chennai - 600 018

REGIONAL OFFICE

C/o. SPIC Limited,
1201, 12th Floor, 16,
Vikram Tower, Rajendra Place,
New Delhi - 110 003.
Tel : 011-25868018 Fax : 011-25868019

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
State Bank of Patiala
Axis Bank Ltd.
Federal Bank Ltd.
IndusInd Bank Ltd.
Industrial Development Bank of India 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

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OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross Profit	120.46	83.30	61.62	42.58	38.38
Interest	34.93	26.97	21.88	24.74	23.94
Profit before depreciation	85.53	56.33	39.74	17.84	14.44
Depreciation	47.25	49.82	38.68	33.11	32.83
Exceptional Item	(1.92)	0.38	0.40	-	-
Profit Before Tax	36.36	6.89	1.46	(15.27)	(18.39)
Provision for Tax	14.15	(4.93)	(0.58)	(4.21)	(6.48)
Profit after Tax	22.21	11.82	2.04	(11.06)	(11.91)
Networth	380.91* [@]	375.74* ^{\$}	367.52*	356.46*	344.39*

* Net of Revaluation Reserve

@ During the year 2003-04, Rs. 11.59 Crores has been adjusted to general reserve in accordance with Accounting Standard - 26 "Intangible Assets"

\$ During the year 2004-05, premium of Rs. 6.74 crores paid on premature redemption of non-convertible debentures has been adjusted against the balance in securities premium account.

NOTICE FOR THE TWENTY THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Company will be held at 10.30 a.m. on Wednesday the 24th September 2008 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 2008 and Profit and Loss Account of the Company for the year ended 31st March 2008 and the Report of the Directors and Auditors.
2. To appoint a Director in place of Thiru S Susai, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Thiru C. Ramachandran, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Thiru T.S. Surendranath, 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 M/s. Deloitte Haskins & Sells, 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 next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company."

By order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

M.B. GANESH
Secretary

Regd. Office :
Manali Express Highway,
Manali, Chennai - 600 068.
24th July 2008

Notes :

- a) 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.

- b) The Register of Members and the Share Transfer Books of the Company will remain closed from 10th September 2008 to 24th September 2008 (both days inclusive).
- c) Members are requested to notify immediately any change in their address to the Company/Share Transfer Agents if shares are held in physical mode and to the Depository Participants if shares are held in electronic mode.
- d) Claims on unclaimed dividend, if any, for the financial years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 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 2000-01 is due for transfer during October 2008 to "Investor Education and Protection Fund" established by the Central Government under Section 205C of the Companies Act, 1956, after which no claims will be permitted by Central Government.
- e) Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
- f) All documents referred to in the accompanying Notice 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.
- g) The Company's equity shares are listed at Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) & Madras Stock Exchange Limited (MSE). The Company has paid the annual listing fees to BSE and NSE for the financial year 2008-09 except to MSE as Company had applied for delisting of Equity Shares pursuant to the resolution passed at the Annual General Meeting held on 28th September 2007. Communication from MSE is awaited.

- h) 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 reply.



INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 (IV) OF THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE APPOINTED / RE APPOINTED AT 23RD AGM.

Item No. 2 of the Notice

Name: Thiru S. Susai

Age: 57 Years

Qualification: B.Com., FCS, MBA

Expertise: Company Secretary. Incharge of certain projects of TIDCO having wide experience in appraisal of projects, promotion/monitoring the implementation of the projects. Also, serving as Nominee Director of TIDCO in Companies promoted/assisted by TIDCO.

No. of shares held : Nil

OTHER DIRECTORSHIPS:

S.No.	NAME OF THE COMPANIES/FIRMS	Position held
1	Tamilnadu Telecommunications Ltd	Director
2	Titan Industries Ltd	Director
3	Tanflora Infrastructure Park Ltd	Director
4	Sree Maruthi Marine Industries Ltd	Director
5	Nova Roofings and Pipes Ltd	Director
6	Jayarkondam Lignite Power Corpn Ltd	Director
7	Arkonam Castings and Forgings Ltd	Director
8	Samrat Holdings Ltd	Director
9	Titan Timeproducts Ltd	Director
10	Questar Investments Ltd	Director
11	Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore	Director
12	Titan International Middle East, Dubai	Director
13	Manali Petrochemical Ltd.	Director

COMMITTEE MEMBERSHIPS

S.No.	Name of the Company	Name of Committee	Position held
1	Tamilnadu Petroproducts Ltd.	Audit Committee Share Transfer & Shareholders / Investors Grievance Committee	Member Member
2	Tamilnadu Telecommunications Ltd.	Audit Committee Shareholders / Investors Grievance Committee	Member Member
3	Tanflora Infrastructure Park Ltd.	Audit Committee	Chairman
4	Titan Industries Ltd	Audit Committee Shareholders / Investors Grievance Committee	Member Member
5	Manali Petrochemical Ltd.	Audit Committee	Member

Item No. 3 of the Notice

Name: Thiru C. Ramachandran

Age: 70 Years

Qualification: I.A.S.

Expertise: Management & Public Administration

No. of shares held : Nil

OTHER DIRECTORSHIPS:

S.No.	NAME OF THE COMPANIES/FIRMS	Position held
1	Elnet Technologies Limited	Director
2	ETL Infrastructure Services Limited	Director
3	Elnet Software City Limited	Director
4	ETL Hospitality Services Ltd	Director
5	ETL Power Services Ltd	Director
6	ETL Corporate Services Pvt. Ltd	Director
7	The Great Indian Linen & Textile Infrastructure Company Pvt. Ltd	Director
8	Appu Hotels Limited	Director
9	Tulsian NEC Limited	Director

COMMITTEE MEMBERSHIPS:

S. No.	Name of the Company	Name of Committee	Position held
1	Tamilnadu Petroproducts Limited	Share Transfer & Shareholders/ Investors	Member
		Grievance Committee	
		Audit Committee	Chairman
		Remuneration Committee	Chairman
		Disinvestment Committee	Member
		Project Evaluation Committee	Member
2	Elnet Technologies Limited	Audit Committee	Member
		Shareholder/Investor Grievance Committee	Member
3	ETL Infrastructure Services Limited	Audit Committee	Member
		Appointment & Remuneration Committee	Member
4	ETL Hospitality Services Limited	Audit Committee	Member

Item No. 4 of the Notice

Name: Thiru T.S.Surendranath

Age: 56 Years

Qualification: B.Com., A.C.A.

Expertise: Chartered Accountant – Senior General Manager (Finance), TIDCO having experience of 29 years in appraisal of projects / promotion / monitoring the implementation of the projects, Financial management and Accounts. Also serving as Nominee Director of TIDCO in companies promoted/assisted by TIDCO.

No. of shares held : Nil

OTHER DIRECTORSHIPS:

S.No.	NAME OF THE COMPANIES/FIRMS	Position held
1	Karur Yarn Links Ltd	Chairman
2	Rama Qualitex Ltd	Director
3	JK Pharmachem Ltd	Director
4	Lactochem Ltd	Director
5	Automotive Coaches and Components Ltd	Director

COMMITTEE MEMBERSHIPS:

Sl.No	Name of the Company	Name of Committee	Position held
1	Automotive Coaches & Components Ltd.	Audit Committee	Member
2	J K Pharmachem Ltd	Audit Committee	Member
		Shareholders/Investors' Grievance Committee	Member



DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting the Twenty Third Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

	(Rupees in Crores)	
	2007-08	2006-07
Profit before Depreciation and Interest	38.38	42.58
Interest	23.94	24.74
Profit after Interest	14.44	17.84
Depreciation	32.83	33.11
Profit before Tax and Exceptional Items	(18.39)	(15.27)
Profit before Tax	(18.39)	(15.27)
Provision for Tax	(6.48)	(4.21)
Profit after Tax	(11.91)	(11.06)
Balance carried to Balance Sheet	58.97	70.88

OPERATIONAL HIGHLIGHTS

The capacity utilisation of LAB plant was largely governed by the demand for and availability of LAB in the market place. The domestic production of LAB coupled with imports resulted in excessive supply of the product. Hence, your Company had to so adjust its production programme that its operations could be reasonably remunerative. That meant utilisation of the plant capacity was at 65.58% with an output of 78,630 MTs. As it was not a paying proposition, export of LAB was meant to continue our presence in the international market. The plant on-stream factor was over 95% for the year. Despite the low throughput, the specific consumptions of raw materials were maintained well within the norms by adopting stringent operational standards. Simultaneously, as the fuel oil costs were soaring high, energy conservation measures were taken to reduce fuel oil consumption.

In LAB business, margins shrank with unabated rise in prices of raw materials consequent to rise in crude prices and excessive availability of the product. Continued political disturbances in oil producing nations and the rising demand for crude resulted in mis-match between demand and supply which drove the prices of petroleum products to record levels.

Your Company continued to hedge raw materials for the volume covered under export contracts. With a view to contain the increase in energy costs, your Company upgraded the advanced process control system for optimising the process and energy inputs in the LAB plant.

Epichlorohydrin

ECH plant achieved a capacity utilisation of 83.6% during the year. To overcome the interruptions faced in the plant operations during the first and second quarters of the year, appropriate remedial measures were undertaken by replacing few distillation columns and equipment so as to ensure an un-interrupted operation of the plant.

While the energy costs were on steadily rising trend, the full pass through in domestic prices did not happen due to global ECH prices. The import price is lesser than the production cost. Also, because of the rupee appreciation, reduced customs duty and Free Trade Agreement Import, there was preference to import. However, your Company was not affected severely as bulk of supplies was made to the adjacent company in which TPL has a stake holding.

Caustic Soda / Chlor Alkali

Chlor Alkali plant achieved a capacity utilisation of 99.5%. During the year, plant operation was run partly on TNEB power because of difference in comparative rates. However, due to lack of quality power, the operations were to a certain extent affected. Production levels of Caustic Flakes and Caustic Soda Lye were at 78.3% and 93.9% of the respective targets.

The Company continued its strategy of producing to meet the changing market requirements of caustic lye and caustic flakes. Despite additional capacities being installed in parts of South India, the market for caustic soda lye and caustic soda flakes did not witness any major variations in price through out the year.

FINANCE

Some of the Financial Institutions / Banks have re-set the interest rates resulting in additional interest burden. Your Company has been working its programme to infuse long term funds to meet the rising working capital requirements, especially because of the increase in raw material prices. These measures embarked during the year include sale of some of the non-core assets. In the Arbitration proceedings initiated by your Company in respect of claims towards damage to the Pacol Charge

Heater in 2004-05, an award for a sum of Rs.7.79 crores had been passed in favour of the Company. This amount will help in shoring up the working capital requirements.

As part of its efforts to meet the funds requirement, the Company has initiated action for sale of Windfarm. The sale proceeds would be used partly for settling long-term debt and partly for meeting working capital requirements. These efforts should improve the financial ratios of the Company.

DIVIDEND

Your Company has incurred a net loss of Rs. 11.91 crores. Considering the financial position of your Company, the Board of Directors express their inability to consider payment of dividend.

SAFETY, HEALTH & ENVIRONMENT

Your Company has won Safety Awards from the Factory Inspectorate, Government of Tamilnadu, for the year 2005, for achieving Lowest Weighted Frequency Rate in Accident and for having worked for not less than 10 lakh man-hours. The LAB, ECH and Chlor Alkali plants have achieved 4,267, 308 and 235 safe days of operation respectively as on 31st March 2008. The health of employees and the environment in and around the plant area have been given due care and attention.

RESEARCH & DEVELOPMENT

Research & Development activities and studies were mainly focused on quality improvement of product, process improvement and studies related to improving environmental performance.

SUBSIDIARIES

SPIC Electric Power Corporation (Private) Ltd. (SEPC)

SEPC has necessary approvals in place for implementation of the Power Project at Tuticorin. Your Company along with SEPC, has executed a Memorandum of Understanding with an Indian Investor, M/s. Goldstone Exports Ltd. (GEXL), on 14th June 2007. GEXL evinced keen interest to bring in 74% equity for the 525 MW power project and develop the project. GEXL is meeting the funding requirements of SEPC. SEPC is taking necessary action to amend the Power Purchase Agreement to incorporate the revised norms under the Electricity Act, 2003. As there was no response from the

Tuticorin Port Trust for restoration of long-term lease of land for the Project, SEPC has taken legal recourse to ensure that the same land allotted to us is entrusted to us for its effective use.

Certus Investment and Trading Ltd. (CITL)

TPL has been actively pursuing NP/ LAB projects both in Middle East and South East Asia, as these areas are identified for the future growth of LAB business. M/s. Certus Investment and Trading Limited (CITL) Mauritius, the Wholly Owned Subsidiary Company of TPL, serves as an overseas investment arm of TPL in these overseas projects.

CITL has a wholly-owned subsidiary - Certus Investment & Trading(S) Pte. Ltd., (CITPL), as Company's procurement and marketing service provider for its current business outside India.

SINGAPORE N-PARAFFIN PROJECT

This project is to establish a Normal Paraffin (NP) plant as a green-field project with its associated utilities and off-sites for a proposed capacity of 100,000 metric tonnes per annum, at Jurong Island, Singapore. This has now gained momentum. The Project Company - TPL India Singapore Private Limited has signed Joint Venture Terms with Singapore's Economic Development Board (EDB) for preference share investment to the extent of 5% of Equity in the Project. Out of the balance 95% of the Equity, CITL will contribute 51% and 44% by the Joint Venture Partner. The Project is to be funded on a Debt : Equity basis of 70:30.

The debt portion to the extent of USD 80 Million has been underwritten by Kuwait Finance House (KFH), Kuwait, mandated to arrange syndication of the loan. KFH has completed the legal, marketing and technical due diligence. The Term Sheet, indicating the terms and conditions, has been signed on 8th May 2008.

An Agreement has been entered into with the shareholders of Singapore Refining Co. (SRC) in December 2007 for supply of feedstock for the proposed Project and for taking back the return streams from the proposed project. Jurong Town Corporation, the governmental agency in Singapore, has formally reserved a Site for the proposed NP Project and a Right of First Refusal (ROFR) has been accorded to the Project company. An in-principle clearance from National Environment Agency (NEA) of Singapore has also been obtained for setting up the proposed project. Discussions are under



way with UOP for entering into Licensing and Engineering Agreements. Engineering activities are scheduled to start by June 2008. The NP project is expected to commence its commercial operation by fourth quarter of 2009.

MIDDLE EAST LAB PROJECT

This project proposes to construct a 80,000 TPA of LAB plant in the Yanbu Industrial City, Kingdom of Saudi Arabia. The Saudi Arabian General Investment Authority (SAGIA) had issued licence for the project. The Royal Commission of Jubail and Yanbu had allotted the required land in Yanbu Industrial City on the western coast of Saudi Arabia. The project is being planned to commence its commercial production in the 3rd Quarter of 2010, in line with the commissioning of Shell's Gas to Liquid (GTL) Project. Shell's GTL plant in Qatar is expected to commence its commercial production in the year 2009. CITL's JV Company in Bahrain, Gulf Petroproduct Co. (GPC) is negotiating with M/s Shell for long-term supply of Normal Paraffin from its proposed GTL plant in Qatar.

A statement pursuant to Section 212 of the Companies Act, 1956, giving information about the subsidiary companies is attached hereto. The consolidated financial statements presented by your Company include the financial information of its subsidiaries, as required under Accounting Standard AS-21, issued by the Institute of Chartered Accountants of India.

In terms of the exemption granted to your Company by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies that are required to be attached to the Balance Sheet of your Company have not been attached. The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the Shareholders and the subsidiary company investors who seek such information. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor in the Registered Office and that of the subsidiary company concerned.

STATUS OF ACTIVE INVESTMENTS

Henkel India Limited (HIL)

Henkel India Limited (HIL) achieved a turnover of Rs. 430 crores for the year ended 31st December 2007 compared to Rs. 357 crores in the previous year. HIL posted a Net Profit of Rs. 14.52 crores (audited) as against Net Profit

of Rs. 9.80 crores in the previous year and achieved a cash profit of Rs. 21.44 crores. It has been a good year for the sector in which the Company has a presence. Henko and Mr. White, the main Laundry Care, have done well. Pril Dish wash liquid maintained its leadership position by achieving 73% value market share. Margo launched a new variant to attract young consumers and strong media support is planned to be provided during 2008 for this brand. This was the first full year after the launch of retain Hair-colouration brands Silkience and Palette and the brands have shown modest growth. The Schwarzkopf Professional Hair-Care Division registered a growth of 27% over the previous year, with the brand 'Igora Royal' being received very well by the market. Overall, the outlook for 2008 is robust and the plan is to strengthen the brands across all accounts during the year.

Petro Aroclite Pvt. Ltd. (PAPL)

During the Financial Year 2007-08, PAPL produced 14,303 MT Basic Liquid Resin, 11,435 MT Basic Solid Resin and 3,083 MT of formulated product aggregating 28,821 MT representing a capacity utilisation of about 78%, which compared to 63% capacity utilisation achieved during the last year. Total sales increased to Rs. 246.35 crores compared to last year's Rs. 216.10 crores. Exports during the year was 4,040.77 MTs as against 3,036 MTs during the last year. The profit for the 12 months' period up to 31st March 2008 (unaudited) is Rs.6.76 crores and the accumulated loss / Profit as on the above date is Rs. 0.60 crores.

FIXED DEPOSITS

The total amount of deposits outstanding as on 31st March 2008 was Rs. 0.20 lakhs, which represents unclaimed deposits only.

EMPLOYEES

The employees are regarded as the most valuable human asset of the Company. The Management is consistently implementing various HR initiatives, such as recognition, empowerment, personality development, distributed leadership, etc. to enhance the capabilities of employees to accomplish the corporate goals and objectives through dedicated team-work. The Human Resource Information System has been implemented resulting in automation of all the HR activities. External and in-house training is imparted for strengthening the hands of employees to improve productivity with perfection. To