



Tamilnadu Petroproducts Limited

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24th ANNUAL REPORT
2008 - 09



BOARD OF DIRECTORS

(As on 30th July 2009)

M.F. FAROOQUI, IAS	Chairman
DR. A.C. MUTHIAH	Vice Chairman
ANITA PRAVEEN, IAS	Director
T.K. ARUN	Director
T.S. SURENDRANATH	Director
ASHWIN C. MUTHIAH	Director
C. RAMACHANDRAN	Director
DHANANJAY N. MUNGALÉ	Director
N.R. KRISHNAN	Director
Dr. K.U. MADA	Director
V. RAMANI (Whole-time Director)	Director & Chief Financial Officer
RM. MUTHUKARUPPAN (Whole-time Director)	Managing Director

AUDIT COMMITTEE

C. RAMACHANDRAN	Chairman
T.K. ARUN	Member
DHANANJAY N. MUNGALÉ	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

STATUTORY 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

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

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OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	2004-05	2005-06	2006-07	2007-08	2008-09
Gross Profit	83.30	61.62	42.58	38.38	60.17
Interest	26.97	21.88	24.74	23.94	25.68
Profit before depreciation	56.33	39.74	17.84	14.44	34.49
Depreciation	49.82	38.68	33.11	32.83	32.58
Exceptional Item	0.38	0.40	-	-	-
Profit Before Tax	6.89	1.46	(15.27)	(18.39)	1.91
Provision for Tax	(4.93)	(0.58)	(4.21)	(6.48)	(4.63)
Profit after Tax	11.82	2.04	(11.06)	(11.91)	6.54
Networth	375.74 ^{\$}	367.52	356.46	344.39	353.87*

* Net of Revaluation Reserve

\$ 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 FOURTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held at 10.25 a.m. on Wednesday the 23rd September 2009 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 2009 and Profit and Loss Account of the Company for the year ended 31st March 2009 and the Report of the Directors and Auditors.
2. To appoint a Director in place of Dr. K.U. Mada, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Thiru Dhananjay N Mungale, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Thiru V. Ramani, 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."

Special Business

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

"RESOLVED THAT Tmt. Anita Praveen, I.A.S., be and is hereby appointed as Director of the Company, liable to retirement by rotation."

7. 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 of all the immovable and movable properties of the Company wheresoever situate both present and future (except for the exclusive mortgage of a specified property by way of deposit of title deeds to Housing Development Finance Corporation Ltd.) and the whole of the undertaking of the Company, to or in favour of IDBI Bank Ltd. (IDBI Bank) and Axis Bank Limited (ABL) respectively to secure the

- a) Rupee Term Loan of Rs. 1800 lacs lent and advanced by IDBI Bank.
- b) Rupee Term Loan of Rs. 1881 lacs lent and advanced by ABL.
- c) Additional Working Capital facility of Rs.1500 lacs lent and advanced by IDBI Bank and
- d) Additional Working Capital facility of Rs.500 lacs lent and advanced by ABL.

provided by the abovesaid banks together with interest thereon at the respective agreed rates, interest, compound interest, additional interest, liquated damages, commitment charges, premia on prepayment or on redemption, costs, charges and expenses and other monies payable by the Company to IDBI Bank and ABL under the respective Heads of Agreements / Loan Agreement / Letters of Sanction / Memorandum of Terms and Conditions entered into / to be entered into by the Company in respect of the said term loans and additional working capital facilities."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to finalise with IDBI Bank Ltd and Axis Bank Ltd., 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

Regd Office:
Manali Express Highway
Manali, Chennai-600 068
30th July 2009

**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) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Resolutions set out against Items.Nos. 6 and 7 of the Notice is annexed hereto.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from 9th September 2009 to 23rd September 2009 (both days inclusive).
- d) *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.*
- e) Claims on unclaimed dividend, if any, for the financial years 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 2001-02, is due for transfer during October 2009 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.

- f) Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
- g) 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.
- h) The Company's equity shares are listed at Bombay Stock Exchange Limited (BSE) & National Stock Exchange of India Limited (NSE). The Company has paid the annual listing fees to BSE and NSE for the financial year 2009-10.
- i) *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.*

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

Item No. 6

Tmt. Anita Praveen, I.A.S. was co-opted as Additional Director representing Tamilnadu Industrial Development Corporation Limited (TIDCO) with effect from 30th July 2009. As per Section 260 of the Companies Act, 1956 (the Act), Tmt. Anita Praveen I.A.S. shall hold office upto the date of the Twenty Fourth Annual General Meeting. The Company has received Notice from TIDCO under Section 257 of the Act, proposing Tmt. Anita Praveen, I.A.S. for appointment as Director, liable for retirement by rotation along with a deposit of Rs. 500/-. Hence, the proposed resolution.

Memorandum of Interest

None of the Directors except Thiru M.F. Farooqui, I.A.S., Chairman, Tmt. Anita Praveen, I.A.S., Tvl. T.K. Arun and T.S. Surendranath, Directors are interested in the resolution.

Item No. 7

IDBI Bank Ltd. and Axis Bank Ltd. have sanctioned Term Loan of Rs. 1800 lacs and Rs. 1881 lacs respectively besides additional Working Capital facilities of Rs. 1500 lacs and Rs. 500 lacs respectively to the Company. One of the conditions stipulated for availing the said financial assistance is to secure the loan by a mortgage/charge on all the immovable and movable properties of the Company both present and future ranking pari passu

with the charges created and / or to be created in favour of the existing charge holders, subject to the exclusive mortgage of a specified property by way of deposit of title deeds to Housing Development Finance Corporation Limited.

Pursuant to Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of a public company shall not, without the consent of shareholders in general meeting, 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 of the whole or substantially the whole, of any such undertaking.

Since your Company is only mortgaging / charging its moveable and immovable properties as security in favour of IDBI Bank and Axis Bank Ltd., approval of shareholders under Section 293(1)(a) of the Companies Act, 1956, for creation of such mortgages / charges in favour of the abovesaid financial institutions / banks is required.

Hence, the proposed resolution.

None of the Directors is interested in the resolution.

By order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

30th July 2009
Chennai - 600 068

M.B. GANESH
Secretary

INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS PROPOSED TO BE APPOINTED / RE APPOINTED AT THE 24TH AGM.

Item No. 2 of the Notice

Name: Dr. K.U. Mada Age: 75 Years Qualification: B.A. (Hon), M.A. (Eco), Ph.D (Eco) & Cert. in Financial Management – Bombay University.

Expertise: Formerly Faculty Member – Bombay University, Member of Board of Governors, Management Development Institute, Executive Director, IDBI and acting Chairman & MD of IRBI and presently Director in number of companies.

No. of shares held : 3,500

OTHER DIRECTORSHIPS:

S.No.	Name of the Companies/Firms	Position held
1	Lupin Limited	Director
2	Hotel Leelaventure Ltd	Director
3	PCI Limited	Director

COMMITTEE MEMBERSHIPS:

Name of the Company	Name of Committee	Nature of Interest
Tamilnadu Petroproducts Limited	Audit Committee	Member
Hotel Leelaventure Ltd	Audit Committee	Member
	Investors' Grievance Committee	Chairman
Lupin Ltd.	Audit Committee	Chairman
	Investors' Grievances Committee	Member
PCI Limited	Audit Committee	Member
	Investors' Grievance Committee	Chairman

Item No. 3 of the Notice

Name: Thiru Dhananjay N Mungale Age: 53 Years Qualification: B.Com., A.C.A., L.L.B.

Expertise: Consultant, having wide experience in International Finance, Capital Markets and Merchant Banking. Held various senior positions in Foreign Bank.

No. of shares held : Nil

OTHER DIRECTORSHIPS:

S.No.	Name of the Companies/Firms	Position held
1	Camlin Limited	Director
2	Caprihans India Limited	Director
3	Chowgule Steamships Limited	Director
4	Indoco Remedies Limited	Director
5	Mahindra & Mahindra Financial Services Ltd	Director
6	Sical Logistics Limited	Director
7	Inestor Advisores Pvt.Ltd.	Director
8	Mentor Technologies Pvt.Ltd.	Director
9	LIC Housing Finance Limited	Director
10	I2IT Private Limited	Director
11	Snowcem Paints Pvt.Ltd	Director
12	J P Morgan Asset Management India Pvt.Ltd	Director
13	National Organic Chemical Ltd	Director
14	XCEL Telecom Pvt Ltd	Director

**COMMITTEE MEMBERSHIPS:**

Name of the Company	Name of Committee	Nature of Interest
Tamilnadu Petroproducts Limited	Audit Committee	Member
Camlin Limited	Audit Committee	Chairman
Indoco Remedies Limited	Audit Committee	Chairman
Sical Logistics Limited	Audit Committee	Chairman
Chowgule Steamships Limited	Audit Committee	Chairman
Mahindra & Mahindra Financial Services Limited	Audit Committee	Member
	Shareholders Grievance Committee	Member
LIC Housing Finance Limited	Audit Committee	Member
National Organic Chemical Ltd	Audit Committee	Member

Item No. 4 of the Notice

Name: Thiru V. Ramani

Age: 57 Years

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

Expertise: An Associate Member of the Institute of Chartered Accountants of India with varied experience in Chemical and Petrochemical Industries over 3 decades handling Finance function including finance related areas in production, trading and resource management together with Accounts function. He has experience in debt re-structuring, dealing with bankers and financial institutions besides participation in business re-structuring and Mergers & Acquisitions.

No. of shares held : 100

OTHER DIRECTORSHIPS:

S.No.	Name of the Companies/Firms	Position held
1	SPIC Electric Power Corporation (Private) Limited.	Director

COMMITTEE MEMBERSHIPS : NIL**Item No. 6 of the Notice**

Name: Tmt. Anita Praveen, IAS

Age: 44 Years

Qualification: M.Sc.(Zoo), PGDBA, IAS

Expertise:

- Joined the IAS in 1989.
- Has held several senior positions in the State Government, Central Government and the Corporate Sector.
- Chairperson and Managing Director, TIDCO Ltd. (since 30th April 2009)

No. of shares held : NIL

OTHER DIRECTORSHIPS:

S.No.	Name of the Companies/Firms	Position held
1	Tamilnadu Industrial Development Corporation Ltd.	Chairperson & Managing Director
2	TIDEL Park (Coimbatore) Ltd.	Chairperson & Managing Director
3	TIDEL Park Limited	Chairperson
4	Tanflora Infrastructure Park Limited	Chairperson
5	Ennore SEZ Company Ltd	Chairperson
6	TICEL Bio Park Limited	Chairperson
7	State Industries Promotion Corporation of Tamilnadu Ltd.	Director
8	Titan Industries Ltd.	Director
9	TRIL Infopark Ltd.	Director
10	Nagarjuna Oil Corporation Limited	Director
11	Mahindra World City Developers Limited	Director
12	Tamilnadu Road Development Company Limited	Director
13	IT Expressway Ltd.	Director
14	AMRL International Tech City Ltd.	Director
15	Tamilnadu Trade Promotion Organisation (Section 25 Company)	Director

COMMITTEE MEMBERSHIPS:

Name of the Company	Name of Committee	Nature of Interest
TICEL Bio Park Limited	Audit Committee	Member
State Industries Promotion Corporation of Tamilnadu Ltd.	Audit Committee	Member
Tamilnadu Road Development Company Limited	Audit Committee	Member
IT Expressway Ltd.	Audit Committee	Member
Mahindra World City Developers Limited	Audit Committee	Member
Titan Industries Ltd	Remuneration Committee Committee of Directors	Member Member



DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting the Twenty Fourth Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

	(Rupees in Crores)	
	2008-09	2007-08
Sales (Gross)	1052.40	887.33
Profit before Depreciation and Interest	60.17	38.38
Less: Interest and Financial charges.	25.68	23.94
Profit after Interest	34.49	14.44
Less: Depreciation	32.58	32.83
Profit before tax and exceptional items	1.91	(18.39)
Profit before tax	1.91	(18.39)
Provision for tax	(4.63)	(6.48)
Profit/(loss) after tax	6.54	(11.91)
Balance carried to Balance Sheet	65.52	58.97

FINANCIAL REVIEW

In view of the steady rise in prices of raw materials in the first half of the financial year, the working capital limits sanctioned by banks had to be fully utilized. The banks and some of the long term lenders revised their Prime Lending Rates. Hence, the interest cost rose to Rs. 25.68 crores compared to Rs. 23.94 crores for the previous year. Your Company's endeavour has been to infuse interest-free long-term funds by sale of non-core assets to improve liquidity and reduce the overall interest burden. Your Company sold its Windfarm in September 2008 and certain surplus lands in January 2009, the proceeds of which were utilized partly for pre-paying the high cost debt and partly for meeting working capital requirements. This has reduced the interest burden which otherwise would have been much higher and also improved the related financial ratios. During the year, a sum of Rs. 7.79 crores was received by way of an arbitration award for the insurance claim made by the Company.

The support from banks for additional working capital limits and the extended credit support by suppliers helped your Company tie up raw materials required to maintain production schedules.

DIVIDEND

Your Company has made a profit before tax of Rs.1.91 crores. Considering the lower earnings and the current financial position of your Company, the Board of Directors express their inability to consider payment of dividend for 2008-09.

OPERATIONAL HIGHLIGHTS

Linear Alkyl Benzene (LAB)

Over the past few years, LAB Plant has been witnessing declining margins primarily due to unprecedented levels of high oil prices and the impact could not be passed on to customers. The Company had severe working capital constraints in the first half of the year driven by high raw material prices. LAB Production during the year was marginally lower at 75,707 MTs than the previous year. Despite lower capacity utilization, specific consumption norms of key raw materials were at appreciable levels. Actual realizations from LAB have been encouraging; thanks to declining raw material prices in the second half of the year and strategic changes adopted in product pricing. Increasing imports from Middle East continues to be a concern. Hence, the matter has been taken up with the authorities concerned in the Government of India for redressal. It is hoped that the Government of India would impose a Safeguard duty. Various energy savings proposals are continually implemented. Your Company has been reaping the benefits of Advanced process control implemented during the previous year for optimizing process efficiency and reducing energy cost. Your Company is the sole supplier of LAB to M/s. Henkel India Ltd and Procter & Gamble.

Epichlorohydrin (ECH)

ECH plant achieved a capacity utilization of 78.4% during the year under review. The reduced capacity was necessitated by the fall in demand arising from recessionary trends. In view of cheaper imports of Intermediate resin, global prices of ECH dropped drastically. With the high domestic propylene prices, operating margins of ECH plant were further impacted. Sequel to the global slowdown and the reduced off-take by our joint venture company M/s. PAPL, your Company had to shut down the ECH plant on few occasions so as to minimize loss on account of un-remunerative prices and fall in demand.

Caustic Soda / Chlor Alkali

The Chlor-Alkali plant achieved a capacity utilization of 94.3%. The performance of the Chlor Alkali division during the first half of the year was subdued. The plant had to be operated on captive power with a 40% power cut by TNEB and high oil prices. As the captive generation cost was high, operating margins were impacted. However, in the second half of the year, the switching over to captive power plants consequent to appreciable softening of fuel oil prices, the scenario changed for the division. Further,