



Tamilnadu Petroproducts Limited

**27th ANNUAL REPORT
2011 - 12**

FINANCIAL HIGHLIGHTS

(₹ in Crores)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Share Capital	89.97	89.97	89.97	89.97	89.97
Reserves & Surplus	275.48	281.83	287.13	305.94	306.45
Networth	344.39	353.87	356.44	375.45	376.16
Return on Capital Employed (%)	1.12	5.99	7.61	12.54	9.21
Fixed Assets (net)	449.65	369.09	388.31	354.75	355.63
Sales / Other Income	802.41	955.08	914.03	1,074.35	1,320.99
Gross Profit	38.38	60.17	65.44	73.68	75.30
Interest / Finance Charges	23.94	25.68	21.29	28.54	31.66
Depreciation	32.83	32.58	30.82	37.99	37.19
Current Tax	0.15	0.15	1.59	5.03	3.91
Deferred Tax	(6.63)	(4.78)	0.97	(5.12)	(3.40)
Net Profit / (Loss)	(11.91)	6.54	10.77	29.47	5.94
Dividend (incl. Tax)	-	-	5.26	10.46	5.23
Dividend (%)	-	-	5.00	10.00	5.00*
Earnings Per Share (₹)	(1.32)	0.73	1.20	3.28	0.66

* Subject to approval of Shareholders at the 27th AGM.



BOARD OF DIRECTORS

(As on 26th April 2012)

DR. N. SUNDARADEVAN, IAS	Chairman
ASHWIN C. MUTHIAH	Vice Chairman
DR. A.C. MUTHIAH	Director
K. DHANAVEL, IAS	Director
T.K. ARUN	Director
R. KARTHIKEYAN	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
RM. MUTHUKARUPPAN (Whole-time Director)	Managing Director

AUDIT COMMITTEE

C. RAMACHANDRAN	Chairman
T.K. ARUN	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
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 N Ramana Towers,
Venkatanarayana Road, T.Nagar,
Chennai - 600 017.

LEGAL ADVISOR

T. Raghavan,
New No. 47, Old No. 25, T.T.K. Road,
Alwarpet, Chennai - 600 017

REGIONAL OFFICE

C/o. SPIC Limited,
1201, 12th Floor, 16,
Vikram Tower, Rajendra Place,
New Delhi - 110 008.
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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NOTICE FOR THE TWENTY SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 27th Annual General Meeting of the Company will be held at 10.35 a.m. on Tuesday the 18th September, 2012 at Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade, Chennai – 600 108 to transact the following business:

Ordinary Business

1. To receive and adopt the audited Balance Sheet as at 31st March 2012 and Statement of Profit and Loss of the Company for the year ended 31st March 2012 and the Report of the Directors and Auditors.
2. To declare a dividend.
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 T K Arun, who retires by rotation and being eligible offers himself for re-election.
5. To appoint a Director in place of Thiru V Ramani, who retires by rotation and being eligible offers himself for re-election.
6. To consider and if thought fit, to pass with or without modifications the following resolution as a Special Resolution:

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants (Registration No.008072S), the retiring Auditors be and are hereby re-appointed as Statutory Auditors of the Company to hold office until the conclusion of the 28th Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company.”

Special Business

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

“RESOLVED THAT Thiru K. Dhanavel. I.A.S., be and is hereby appointed as Director of the Company liable to retirement by rotation.”
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 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 Limited) and the whole of the undertaking of the Company, to or in favour of IDBI Bank Ltd, (IDBI Bank), Axis Bank Limited (ABL) and IndusInd Bank Ltd., (IIBL) respectively to secure

- a) additional working capital facility of Rs.2,500 lacs lent and advanced by IDBI Bank
- b) additional working capital facility of Rs.2,200 lacs lent and advanced by ABL
- c) additional working capital facility of Rs.1,500 lacs lent and advanced by IIBL

provided by the abovesaid banks 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 and expenses and other monies payable by the Company to IDBI Bank, ABL and IIBL under the respective Heads of Agreements/Loan Agreements/ Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said 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., Axis Bank Ltd., and IndusInd 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

Regd. Office:
Manali Express Highway,
Manali, Chennai-600 068
26th April, 2012

M.B. GANESH
Secretary

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. The proxy form attached must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting, in default, the instrument of proxy shall not be treated as valid.
- b) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolution set out against Item No. 7 & 8 of the Notice is annexed hereto.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from

4th September 2012 to 18th September 2012 (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) Dividend on Equity Shares as recommended by the Board of Directors, if declared at the Meeting will be paid to those Shareholders whose names appear in the Register of Members on 18th September 2012 .
- f) *Claims on unclaimed dividend, if any, for the financial years 2005-06, 2009-10 and 2010-11 shall be made to the Company or Share Transfer Agents.*
- g) *The Shareholders may kindly note that the amounts in the unpaid dividend account relating to the financial year 2004-05 is due for transfer to "Investor Education and Protection Fund" established by the Central Government under Section 205C of the Companies Act, 1956, during October*

2012 after which no claims will be permitted by Central Government.

- h) Members / Proxies should bring the attached Attendance slip duly filled in for attending the Meeting.
- i) 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.
- j) 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 2012-13.
- k) ***Shareholders seeking any information with regard to accounts are requested to write to the Company well in advance so as to enable the Management to reply.***

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

Item No.7

Thiru K. Dhanavel, I.A.S., was co-opted as Additional Director representing Tamilnadu Industrial Development Corporation Limited (TIDCO) with effect from 26th April 2012. As per Section 260 of the Companies Act, 1956 (the Act), Thiru K. Dhanavel, I.A.S., shall hold office upto the date of the Twenty Seventh Annual General Meeting. The Company has received Notice from TIDCO under Section 257 of the Act, proposing Thiru K. Dhanavel, I.A.S., for appointment as Director, liable for retirement by rotation along with a deposit of ₹ 500/-. Hence, the proposed resolution.

Memorandum of Interest

None of the Directors except Tvl. Dr. N. Sundaradevan, IAS, Chairman, K. Dhanavel, T.K. Arun and R. Karthikeyan, Directors are deemed to be interested in the resolution.

Item No.8

During the year IDBI Bank Ltd, (IDBI Bank), Axis Bank Limited (ABL), and IndusInd Bank Ltd., (IIBL) have sanctioned to the Company additional Working Capital facilities of ₹ 2,500 lacs, ₹ 2,200 lacs and ₹ 1,500 lacs respectively. 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.

Hence approval of shareholders for mortgaging/charging its moveable and immovable properties as security in favour of IDBI Bank, ABL and IIBL, is sought under Section 293(1)(a) of the Companies Act, 1956.

Hence, the proposed resolution.

None of the Directors is interested in the resolution.

By order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

Chennai - 600 068
26th April 2012

M.B. GANESH
Secretary

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS PROPOSED TO BE APPOINTED/RE-APPOINTED AT THE 27TH AGM.

Item No.3, 4, 5 & 7 of the Notice

	Item No.3	Item No.4	Item No.5	Item No.7
Name of the Directors (Tvl.)	Dhananjay N Mungale	T K Arun	V Ramani	K Dhanavel, IAS
Age	58	52	60	57
Qualification	B.Com., A.C.A., L.L.B	B.Com, ACS	B.A., A.C.A	B.Sc.,M.A., B.L., MBA
Expertise	Consultant, having wide experience in International Finance, Capital Markets and Merchant Banking. Held various senior positions in Foreign Bank.	Company Secretary, TIDCO. Also serving as Nominee Director in Companies assisted by TIDCO. Expertise involves Project structuring for Public Private Partnerships (PPPs) in Infrastructure including Water, Ports and Roads. PPP documentation viz., Concession Agreements and related Contracts, Bid Process Structuring and Bid Process Management, Contract drafting/negotiation and Contract Management and Arbitration.	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 restructuring and Mergers & Acquisitions.	After having worked as an Officer in a Nationalized Bank for six years (1979-85), joined Tamilnadu Civil Services as Deputy Collector in 1985. Elevated to Indian Administrative Service (in the 1992 Batch) and served as the District Collector of Tirunelveli (1998-2001) and also served in Govt. of India in the Ministry of Health and Family Welfare (2004-2009). Also served as the Secretary, Revenue Dept and Secretary, PWD, Govt of Tamilnadu. Before joining Managing Director TIDCO, served in the State Planning Commission as Member Secretary.
No. of shares held	Nil	Nil	100	Nil
Other Directorships	Director Investor Advisores Private Limited, Mentor Technologies Private Limited, Snowcem Paints Pvt.Ltd., Vayugrid Marketplace Services Pvt. Ltd., JP Morgan Asset Management India Pvt.Ltd, LICHFL Trustee Company Private Limited, Lavgan Dockyard Pvt.Ltd., L & T Infra Investment Partners Advisory Pvt.Ltd, Chowgule Steamships Limited, LIC Housing Finance Limited, Kalpataru Limited, National Organic Chemical Ltd, Mahindra Composites Limited, Mahindra & Mahindra Financial Services Ltd, Samson Maritime Limited	Director DLF Info Park Developers (Chennai) Limited, Ascendas IT Park (Chennai) Ltd., Tanflora Infrastructure Park Ltd., Sree Maruthi Marine Industries Ltd, Cheslind Textiles Ltd, Manali Petrochemicals Ltd, Southern Petrochemical Industries Corpn.Ltd., TIDEL Park Limited	Director SPIC Electric Power Corporation Private Ltd.	Director Tamilnadu Industrial Development Corporation Ltd, Ennore SEZ Company Ltd., Tanflora Infrastructure Park Ltd., TRIL Infopark Ltd., Tamilnadu Road Development Company Ltd., IT Expressway Ltd., Titan Industries Ltd., L & T Shipbuilding Limited, TIGEL Bio Park Ltd., TIDEL Park Coimbatore Ltd., TIDEL Park Ltd and Tamilnadu Trade Promotion Organization (Sec.25 Company).
Committee Memberships Chairman(C) Member(M)	Audit Committee Chowgule Steamships Ltd (C), Mahindra & Mahindra Financial Services Ltd (C), Mahindra Composites Ltd (M), National Organic Chemical Ltd (M), LIC Housing Finance Ltd (M) Kalpataru Limited (M), Samson Maritime Limited (M) Compensation Committee Chowgule Steamships Ltd(M), Mahindra & Mahindra Financial Services Ltd (M), Mahindra Composites Ltd., (M), National Organic Chemical Ltd (M), Kalpataru Limited (M), Samson Maritime Limited (M) ALCO Committee Mahindra & Mahindra Financial Services Ltd (C)	Audit Committee Tamilnadu Petroproducts Ltd (M), Manali Petrochemicals Ltd (M), Tanflora Infrastructure Part Ltd (C), Cheslind Textiles Ltd (M), Ascendas IT Park (Chennai) Ltd., (M), Southern Petrochemical Industries Corpn. Ltd (M) Shareholders'/Investors' Grievance Committee Tamilnadu Petroproducts Ltd. (M), Cheslind Textiles Ltd (M), Southern Petrochemical Industries Corpn. Ltd. (M) Remuneration Committee Manali Petrochemicals Ltd (M), Ascendas IT Park(Chennai) Ltd., (M)	Audit Committee SPIC Electric Power Corporation Private Ltd., (M)	

DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting the Twenty Seventh Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS

(Rs. in crores)

	2011-12	2010-11
Revenue from Operations	1309.35	1066.46
Profit before Depreciation and Finance Cost	75.30	73.68
Less: Interest and Finance Cost	31.66	28.54
Less: Depreciation	37.19	37.99
Add: Exceptional Item	--	22.22
Profit before tax	6.45	29.38
Provision for tax	0.51	-0.09
Profit/(loss) after tax	5.94	29.47
Balance carried to Balance Sheet	90.75	90.04

FINANCIAL REVIEW

The year 2011-12 witnessed vast changes and volatility in interest rates and forex markets making the cost of funds dearer. Your Company has been constantly working towards achieving interest reduction despite unfavourable macro economic factors. The efforts taken by your Company helped to restrict the weighted average Cash Credit interest to 14.64% as against 16.50% being the average lending rate for the Financial Year. This was possible due to improvement in the financial rating by Credit Analysis and Research Limited (CARE) during the year under review to BBB plus. Your Company also leveraged on the Buyers credit arrangements with Banks to save on interest cost.

Your Company was supported by additional working capital limits from working capital lenders which enabled to achieve budgeted production and sales of the three divisions. There was no additional term loan borrowing during the year, while one of the term loans was repaid in full.

With the forex markets remaining extremely volatile during this period your Company managed to mitigate partly the currency exposure risks by a combination of natural hedge of exports against imports and through appropriate forward covers.

DIVIDEND

Your Company has achieved a net profit after tax of Rs. 5.94 crores for the year 2011-12 as against Rs. 29.47 crores during 2010-11. Your Company came

back into the dividend paying stream two years ago in 2009-10 after a gap of 3 years. In order to continue paying dividend and reward the shareholders, the Board of Directors, despite lower profits, take pleasure in recommending payment of dividend of 5% (0.50 paise per equity share) on the paid up equity share capital of your Company.

OPERATIONAL HIGHLIGHTS

Linear Alkyl Benzene (LAB)

The performance of LAB operations continued to be good throughout the year and comparable with the previous year. LAB production was maintained at high levels during the year due to the installation of new molecular sieves in 2010.

Crude prices continued to be unstable. The acute power shortage in the State of Tamilnadu and the obligation on the part of the HT consumer to buy Renewable Energy Certificates has increased the cost of power. However, every effort is taken through energy audit, advance process control, etc., to reduce the energy consumption and optimal use of raw material. This has helped in controlling the cost of production. The first phase of Prefrac revamp was completed during end March 2012 and the benefit will be realised from the second quarter of 2012-13 onwards.

Continuous efforts are being made to identify and develop new markets. Your Company continues to meet sizeable demand of the domestic market for LAB and supplies to major international detergent manufacturers.

Epichlorohydrin (ECH)

The ECH unit has performed reasonably well compared to the previous year. The capacity utilisation was about 85%. The crude price variation has impacted the raw material prices largely. However, the finished product price also moved directionally in line with raw material price. Your Company continues to supply majority of the volume to the joint venture company M/s Petro Araldite Private limited. Large quantities of imported ECH and Epoxy resin are landing into the country from European sources due to sluggish demand in those places. The impact on cost of production due to power cut and rupee appreciation is partly being mitigated by carrying out energy optimisation and process optimisation.

Caustic Soda/ Chlor Alkali

The Chlor Alkali Division performance was better during the year over the previous year. The capacity utilisation was above 90%. However, the acute power shortage in the State of Tamilnadu has increased the power cost heavily. Due to high crude prices, the fuel oil prices increased and so the energy cost. The caustic market

was very attractive with better realisation. However, the chlorine market has taken a beating as chlorine has to be disposed at throw away prices because of lower demand. The increase in cost of production due to energy cost rise is being combated by introducing various energy conservation and optimisation measures.

SAFETY, HEALTH & ENVIRONMENT

Your Company continuously follows adequate process safety standards to run the plants safely. Protection of employees, plant and machinery and the environment is accorded prime importance at all times. Your Company has won safety award from National Safety Council of India during 2011 for LAB plant. Safe operating days of 396, 1769 and 862 in LAB, ECH and CAD plants respectively were achieved as on 31st March 2012. Health of the employees is taken care bestowing fullest attention. As part of corporate social responsibility, your Company is preparing inventory of green house gases in the plants, to achieve carbon emission reduction. Your Company also provided class room amenities to a Primary School in Manali.

RESEARCH & DEVELOPMENT

On the R&D front main focus was given to improve the finished product quality. Studies related to improvement of production processes and development of new products using existing by-products as raw materials was also carried out. R&D wing also focussed environment performance assessment and source identification.

SUBSIDIARIES

SPIC Electric Power Corporation Private Ltd. (SEPC)

SEPC has been pursuing with various agencies to move forward on the 525 MW Thermal Power Plant at Tuticorin (the Project). During the year, M/s VO Chidambaranar Port Trust permitted SEPC to enter upon the alternate land for starting the Project work as SEPC had paid the lease rent dues and also obtained Environmental Clearance. SEPC therefore commenced various site development work such as Joint Physical Survey, Corner stone laying work, Name Board installation and site leveling work. With regard to the allocations / permissions for the foreshore facilities comprising of Coal jetty, Conveyor routing and Pump-house, SEPC had held discussions with VOCPT.

In response to the petition filed by SEPC before Hon'ble TNERC during April 2010, an order was delivered on 9.5.2011 informing that there is no impediment in implementing the Project and further directed certain amendments to the PPA already executed by SEPC and TANGEDCO. Subsequently, SEPC and TANGEDCO negotiated and signed the amendments to the PPA on 10.1.2012 as ordered and submitted the same to Hon'ble TNERC. Consent to Establish the Project to be given by

Tamilnadu Pollution Control Board is in the advanced stage of issuance. SEPC would be continuing with its efforts so that the financial closure could be achieved early.

Certus Investment and Trading Ltd., and its Wholly owned Subsidiaries

Your Company established M/s. Certus Investment and Trading Ltd. (CITL) Mauritius as a Wholly Owned Subsidiary (WOS) of TPL to serve as a Special Purpose Vehicle (SPV) and set up LAB and NP projects in regions with encouraging demand potential viz., Middle East and South East Asia. M/s CITL in partnership with M/s. Saudi Offset Limited Partnership (SOLP) established a Company viz., M/s Gulf Petroproduct Co., EC (GPC) to set up a LAB project in the Middle East. Pre-project activities are in progress.

Proteus Petrochemical Private Ltd.(Proteus)

Proteus is a subsidiary of CITL formed for setting up a Normal Paraffin Project in Singapore. The proposal is to establish a green-field Normal Paraffin (NP) project plant along with associated utilities and off-sites.

A statement pursuant to Section 212 of the Companies Act, 1956, giving information on 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 general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies, Act, 1956 during February 2011, 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 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 at the Registered Office of TPL and of the subsidiary company concerned.

STATUS OF ACTIVE INVESTMENTS

Petro Araldite Pvt. Ltd. (PAPL)

In 2011-12, PAPL produced a total of 29,510 MTs (as against 30,536 MTs in 2010-11) comprising of Basic Liquid Resin, Solid Resin and Formulated products. Sales during the year was Rs.339.57 crores compared to Rs.327.42 crores during 2010-11.

During the financial year 2011-12, PAPL incurred a net loss of Rs.7.49 crores (unaudited) as against a net profit

of Rs.10.11 crores during the previous year. The reason for the dip in performance was mainly due to sluggish demand for epoxy resins. PAPL declared a dividend of 10% on the paid up equity share capital for the year 2010-11 and your Company received a dividend of Rs.136.80 lacs on its equity investment.

Henkel India Limited (HIL)

Your Company after the sale of 14.90% of the equity share capital of HIL to M/s. Jyothy Laboratories Ltd. (JLL) terminated the Shareholders' Agreement with Henkel AG & Co., KGaA on 6th April 2011. Subsequently, your Company sold the balance holding of 1.76% of the equity share capital of HIL to JLL on 2nd August 2011.

EMPLOYEES

Management strongly believes that the strength of your Company is directly proportional to the strength of its employees in terms of the knowledge, experience, analytical and decision making skills. Your Company has been practicing various HR initiatives such as recognition, empowerment, personality development, decentralization of delegation of powers etc., to retain the talents and to enhance their enabling capabilities. A balanced staffing system has been judiciously adopted in your Company wherein competent fresh talents have been engaged to infuse young blood into the steam of experienced hands.

Effective communication system prevalent in your Company facilitates the employees positioned at various levels in various functions to be a large vibrant cohesive team. Regular flow of upward communication to the top Management by way of MIS from various functions and percolation of Management messages, corporate goals and objectives of your Company to the junior most team member contributes to a great extent to the efficiency of the employees with perfection.

To improve the efficiency of manpower, a scientific system of performance planning and review system has been established to bring about a healthy competition among the employees by motivating them through recognition by way of rewards linked with progressions/promotions based on performance scores. Your Company has introduced a scheme titled as "Best Employee of the Quarter" to identify the Best Employee. The Best Employee is identified in each unit viz., LAB/ECH and HCD for every quarter and suitable reward is given with the title of – "The Best Employee of the Quarter".

The training needs of employees have been identified at regular intervals through performance appraisal systems and necessary training are imparted through in-house and external programmes. Apart from the routine job related training for personality development

and leadership skills are imparted to enhance the administrative capabilities of employees.

The HR Management systems and procedures are constantly bench marked to excel in all the HR activities and to take care of internal and external challenges in the rapidly changing business scenario.

The wage settlement for LAB/ECH is pending from 1.1.2005. The case was referred to Industrial Tribunal (IT). The IT have given award for LAB / ECH division. However, the Management challenged the Award in the Madras High Court. The Madras High Court stayed the award with the condition of matching the salary as per 18(1) settlement to the unsigned employees and deposit 50% of the Industrial Tribunal award in the Court. The Management duly fulfilled the order of the High Court and the main case is in trial. In the meanwhile, talks are also going on to complete the settlement.

During the year, no employee of your Company was in receipt of remuneration exceeding the sum prescribed under Section 217(2A) of the Companies Act, 1956. Hence, furnishing of particulars under the Companies (Particulars of Employees) Rules, 1975 does not arise.

DIRECTORS

Since the date of the last Directors Report, Thiru K. Dhanavel, I.A.S. was appointed as an additional Director of your Company representing TIDCO at the Board Meeting held on 26th April 2012.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Tvl. Dhananjay N. Mungale, T.K. Arun, Directors and V. Ramani, Director & Chief Financial Officer shall retire by rotation and being eligible, offer themselves for re-election.

The term of office of Thiru K. Dhanavel, IAS, shall be upto the date of the ensuing Annual General Meeting. Notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from TIDCO proposing the candidature for appointment as Director of your Company liable to retirement by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with the provisions of Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors hereby confirm that: -

- (i) in preparing the Annual Accounts for the year ended 31st March 2012, all the applicable accounting standards have been followed;
- (ii) prescribed accounting policies were adopted and applied consistently and judgements and estimates made that are reasonable and prudent so as to