Tamilnadu Petroproducts Limited

28th ANNUAL REPORT
2012 – 13

FINANCIAL HIGHLIGHTS

(Rs. in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Share Capital	89.97	89.97	89.97	89.97	**89.97**
Reserves & Surplus	281.83	287.13	305.94	306.45	**255.7**
Networth	353.87	356.44	375.45	376.16	**325.61**
Retrun on Capital Employed (%)	5.99	7.61	12.54	9.21	**(9.94)**
Fixed Assets (net)	369.09	388.31	354.75	355.63	**328.95**
Sales / Other Income	955.08	914.03	1,074.35	1,259.82	**1286.96**
Gross Profit / (Loss)	60.17	65.44	73.68	75.3	**(0.34)**
Interest / Finance Charges	25.68	21.29	28.54	31.66	**31.83**
Depreciation	32.58	30.82	37.99	37.19	**38.62**
Current Tax	0.15	1.59	5.03	3.91	**-**
Deferred Tax	(4.78)	0.97	(5.12)	(3.40)	**(21.97)**
Net Profit / (Loss)	6.54	10.77	29.47	5.94	**(50.56)**
Dividend (incl. Tax)	-	5.26	10.46	5.23	**-**
Dividend (%)	-	5.00	10.00	5.00	**-**
Earnings Per Share (Rs.)	0.73	1.20	3.28	0.66	**(5.62)**

Important Information

Dividend for the year 2005-06 remaining unclaimed and unpaid will be transferred to Investor Education and Protection Fund (IEPF) during November 2013. Shareholders who are yet to encash their dividend warrants are requested to contact the Company or the Registrars at an early date and lodge their claims. Please note that upon transfer to IEPF, no claims shall lie against the Fund or the Company and hence it will not be possible for the Shareholders to make any further claims in this regard after the said transfer.

TPL

Board of Directors*

N.S. Palaniappan, IAS	Chairman
Ashwin C Muthiah	Vice Chairman
Hans Raj Verma, IAS	Director
C. Ramachandran, IAS (Retd)	Director
N.R. Krishnan,IAS (Retd)	Director
Dr. K.U. Mada	Director
Dhananjay N. Mungale	Director
T.K. Arun	Director
Sanjiv Ralph Noronha	Director
R. Karthikeyan	Director
Muthukrishnan Ravi	Managing Director

* As on 22nd April 2013

Audit Committee

C. Ramachandran, IAS (Retd)	Chairman
N.R. Krishnan, IAS (Retd)	Member
Dr. K.U. Mada	Member
T.K. Arun	Member

Chief Financial Officer

P.S. Narayan

Company Secretary

R. Kothandaraman

Registered Office & Factory

Manali Express Highway,
Manali, Chennai - 600 068.
Tel : 25941501 - 10 Fax : 25941139
Website : www.tnpetro.com

Regional Office

C/o. SPIC Limited,
1201, 12th Floor, 16,
Vikram Tower, Rajendra Place,
New Delhi - 110 008.
Tel : 011-25868018 Fax : 011-25868019

Auditors

Deloitte Haskins & Sells
ASV N Ramana Towers,
52, Venkatanarayana Road,
T.Nagar, Chennai - 600 017.

Cost Auditors

P.R. Tantri
B-1580, Sahakara Nagar, Bangalore - 560 092

Legal Advisor

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

Bankers

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

Registrars & Share Transfer Agent

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

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DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

To

The Shareholders

Your Directors have pleasure in presenting the Twenty Eighth Annual Report on the business and operations of the Company and the audited Statement of Accounts for the year ended 31st March 2013.

FINANCIAL RESULTS

(Rs. in crore)

Description	2012-13	2011-12
Revenue from Operations	**1281.42**	1248.19
Profit / (Loss) before Depreciation and Finance Cost	**(0.34)**	75.30
Less: Finance Cost	**31.83**	31.66
Less: Depreciation	**38.62**	37.19
Less: Exceptional Item	**1.74**	--
Profit / (Loss) before tax	**(72.53)**	6.45
Tax expense	**(21.97)**	0.51
Profit/(Loss) after tax	**(50.56)**	5.94
Balance carried to Balance Sheet	**40.19**	90.75

OPERATIONAL HIGHLIGHTS AND PRODUCT-WISE PERFORMANCE

During the year under review, revenue from operations was Rs. 1281 crore vis a vis Rs. 1248 crore in FY 2011-12. Though there was some increase in the topline, the profitability was impacted severely primarily on account of astronomical increase in input cost, depreciation of rupee value and imported goods flooding the market. The Company could not pass on the additional costs to the customers due to intense competition from overseas suppliers and hence the results were negative.

During the year under review, there was a marginal dip in the capacity utilization of **Linear Alkyl Benzene (LAB)** due to fall in demand from domestic users. Crude price increases and higher exchange rate, coupled with additional cost for alternate power to meet energy shortage resulted in lower margins. To overcome these, steps have been taken to bring down the input cost through implementation of Advanced Process Control System and energy audits.

The Captive Power Plant (CPP), run on furnace oil, was operated at a higher capacity to meet the residual power requirements. However due to increased fuel costs, the cost of power from the CPP also went up, bringing down the margins further. In order to moderate the power cost, the Company has gone for purchase of power from third parties.

During the year under review, the **Chlor Alkali Division** producing **Caustic Soda and Chlorine** performed well, recording a 95% capacity utilization. However, due to increased cost of production and Chlorine prices continuing to be low, there was a reduction in margins, with resultant erosion in profits.

The operations of **Epichlorohydrin (ECH)** division were also hampered due to higher input cost and surge in imports, bringing down the market prices sharply. The Company could not even recover the product cost in full, resulting in heavy cash losses during the year. Under the circumstances, the Unit was operated only to honour contractual commitments to Petro Araldite Private Limited, (PAPL) the Joint Venture Company.

FINANCIAL REVIEW

The year 2012-13 witnessed moderate changes in interest rates. The repo rate increases during the year 2011-12 resulted in steep increase in lending rates of banks and other operators. However, during the year under review, Reserve Bank of India retained these rates at the previous year's level in the first half which were slightly brought down during the second half, to induce economic growth. On the forex front, there was a sharp decline in rupee value by about 6.7%.

The Company maintained its financial rating at BBB+ from Credit Analysis and Research Limited (CARE) during the year under review. This rating coupled with favorable key financial ratios, enabled the Company to obtain additional working capital limits for operations and financing cost was maintained at the previous levels through proactive steps.

During the year under review, there were no defaults either in servicing or repayment of debts. The proceeds from dis-investment of shares in SPIC Electric Power Corporation Private Limited (SEPC) were utilized as long term source for operations.

DIVIDEND

In view of the losses incurred, the Board of Directors expresses its inability to recommend any dividend for the year.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company has three units viz., Linear Alkyl Benzene (LAB), Chlor Alkalis comprising Caustic Soda & Chlorine and Epichlorohydrin (ECH).

LAB is the leading surfactant used in the manufacture of household and industrial cleaning agent and enjoys a good demand from the detergent industry as its basic raw material. All the major manufacturers of LAB in India, including TPL, have adopted the technology from UOP, USA, which is considered superior to the other processes involving chlorination. The cost of production of LAB in India had been relatively higher than the international standards mainly on account of higher cost of kerosene and quality issues relating to the feedstock.

The domestic producers have been operating at full or beyond their capacities and till recently there were no major imports into India. In fact a substantial quantity was being exported. However, during the year 2012-13, there was a sudden spurt in import of LAB into India, mainly attributable to global economic slowdown and creation of new capacities in the Middle East. On the one hand, with very high crude price and sharp decline in rupee value, the cost of production of LAB went up substantially and on the other such higher cost could not be passed on in full to the customers, due to competition from overseas suppliers.

Caustic Soda, a most commonly used industrial chemical, finds wide application in Textile, Pulp & Paper, Soaps & Detergents and Aluminium industries in India. The capacity in India is about 4% of the global capacity and the overall capacity utilization during the year 2012 has been estimated at 80% vis a vis 74% in 2011. The caustic soda prices in India have firmed up in the last few years on account of imposition of anti-dumping duty on imports.

Chlorine, a co-product of Caustic Soda is widely used in sectors like Vinyl chloride, CPW, Pulp and Paper, Water Purification, Chlorinated Solvents, etc. Since this is a co-product of Caustic Soda, the prices take a dent when the demand for caustic soda increases and hence the pricing of the product has been affected considerably.

ECH is used as a key raw material in the manufacture of epoxy resins, pesticides and certain pharmaceutical formulations. Though there has been good demand for the product at global level, most of the top manufacturers use their entire capacity for captive consumption. The market is already reeling under supply - demand mismatch and new capacities created across the globe, especially in China, have putrefied the situation.

Traditionally, ECH has been produced through petro-based feedstock, viz., propylene. However, glycerine, a bio-based feedstock obtained as a byproduct from biodiesel production, is slowly replacing propylene. It is expected that the increasing availability of bio-based glycerine from biodiesel production would make it possible to produce bio-based ECH, at a lower cost.

OPPORTUNITIES AND THREATS

Over the past few years there has been a marked improvement in awareness about hygiene and also the standard of living has shown considerable improvement in India. This has helped the detergent markets to make inroads into remote areas, with the help of visual advertisements. Therefore the production of detergents is expected to grow further, paving way for higher off-take of **LAB** in the years to come**.** However, the overseas manufacturers who have created huge LAB facilities elsewhere have chosen the Indian market to dump their products, at a cheaper rate. This constraints the Company's ability in marking up LAB price in line with the input cost.

Caustic Soda continues to be an important industrial intermediary finding application in many industries. With the demand for textiles and apparels increasing on account of urbanization and more spending on personal effects, the market for Caustic Soda is expected to grow further. However, unabated increase in cost of alternate power is curbing the profitability of the domestic manufacturers.

The per capita consumption of **Chlorine** in India is stated to be around 1.85 kg vis a vis 13 kg in China and hence there exists good growth opportunities. However, this could happen only if substantial investments are made in the vinyl industry, the key end-user of the product. At present India imports about 4 lakh tons of PVC, as the domestic industry is not large enough to cater to the demand and also no big investments are being contemplated. Presently, there is nothing much that the domestic Chlor Alkali industry could do to break this impasse but to wait for the domestic vinyl industry to grow, as export of Chlorine may not be feasible owing to its nature.

The rapid growth in the end user industries of **ECH** is expected to provide impetus to the demand for this product. It has been estimated that the global market for the product will grow from 1520 kilo tons in 2012 to 1926 kilo tons in 2017, with a CAGR of 4.8%. However due to the industry trends favouring the use of bio-based products, ECH manufacturers world over are shifting to glycerine based process. It has been reported that major ECH manufacturers in USA, Belgium, South Korea and China have already commenced use of renewable feedstock for ECH production. Therefore propylene based ECH manufacturing could face issues in the future.

OUTLOOK

LAB

Import of LAB in to India is increasing year on year which will impact the margins of TPL further. During the year 2012-13, the imports were over 1 lakh tons, forcing the Company to sell at lower prices. This trend may continue in the current year. However, the increase in demand for the product is expected to mitigate this to some extent. Also, TPL has established itself as a major player in the LAB market and hence the customer base is expected to be retained, in spite of competition through imports. Steps have also been initiated to curb the dumping of materials into India through the avenues available under law.

Caustic Soda / Chlor alkali

No major change is expected in Caustic Soda / Chlor alkali business of the Company in the near future as the capacity utilization could continue to be affected on account of sluggish chlorine sales. However, the efforts of the Company to bring down input cost through reduction in energy consumption are expected to improve the earnings.

ECH

Your Company is the only Indian manufacturer of ECH, established with a view to diversify its operations and also as an import substitution project. However, contrary to expectations, with the globalization opening up imports at relatively lesser cost and lower duties under WTO covenants, the pricing of the product has been under severe stress. Also creation of additional capacities abroad without adequate demand in their markets led to further dumping of materials into India. On the application of TPL, safeguard duty was imposed just for one year at the turn of this century, which was not sufficient for the Company to stabilize the ECH operations.

ECH imports into the country in the form of Resins increased its local availability thereby reducing the market prices for merchant ECH. In view of the above and due to the ever increasing input cost and competition from low-priced imports, the ECH business has been in red during the past one decade barring a couple of years. As a consequence, the overall business prospects of the Company have been jeopardized to a very great extent. The Company has been unable to reverse this trend in spite of its best efforts and so it has been decided that it may not be prudent to continue the operations any further. Accordingly the unit's manufacturing activities have been suspended from the start of FY 2013-14. However, the division continues to provide utilities and effluent treatment support to PAPL, the JV Company. Study has been initiated to look at alternate options for use of ECH facilities.

RISKS AND CONCERNS

As stated earlier the margins of the Company are under severe pressure due to cheaper imports and increased input costs, especially the cost of alternate power and depreciation of rupee. The moratorium in force in the Manali area is an impediment to go in for other value added products or alternate use of the existing facilities. Availability of salt for the CAD operations could be a matter of concern as the salt production in the State has been impaired due to varying monsoon conditions. Alternate sourcing of salt could increase the cost of procurement due to higher freight and handling charges and hence the margins could go down further.

SAFETY, HEALTH & ENVIRONMENT

Adequate safety standards have been prescribed and followed by the Company without compromise. Prime importance is given to protection of the employees, plant & machinery and environment at all times. During the year under review, your Company received "Safety Appreciation Award – 2009" for LAB plant from National Safety Council (Tamilnadu Chapter) and "State Safety Award – 2008" from Inspectorate of Factories for LAB and CAD plants. As on 31st March 2013, the company has achieved safe operating days of 762, 2134 and 1229 of LAB, ECH & CAD plants respectively.

Your Company has planted saplings in and around the factory premises as part of its green initiatives and to promote carbon offset. Your Company continues to support the Manali Primary School through distribution of free note books and provision of basic amenities in the school premises.

SUBSIDIARIES

Certus Investment and Trading Ltd., and its wholly owned subsidiaries

Your Company established **Certus Investment and Trading Ltd.** (CITL), Mauritius as its Wholly Owned Subsidiary (WOS) to serve as a Special Purpose Vehicle (SPV) to set up LAB and Normal Paraffin (NP) projects in Middle East and South East Asia. CITL in partnership with Saudi Offset Limited Partnership (SOLP) promoted Gulf Petroproduct Co. EC (GPC) to implement a LAB project in the Middle East. The project progress has been vitiated due to various factors, including large LAB capacities created in Saudi and other countries by the local refineries. Hence the sustainability of the proposition is being evaluated.

CITL also established **Certus Investment and Trading (S) Pte. Ltd.** in Singapore to function as a coordinator for TPL's overseas procurement and marketing activities.

Proteus Petrochemical Private Ltd. (Proteus) is a subsidiary of CITL formed for setting up a NP Project in Singapore. The proposal is to establish a green-field NP project plant along with associated utilities and off-sites. The project has run into certain problems and hence there has been delay in completing the same as per schedule. The Company is examining further action to be taken in this regard.

SPIC Electric Power Corporation Private Ltd. (SEPC)

SEPC was promoted by the Company to set up a 525 MW Thermal Power project in Tuticorin, with Trinity Infraventures Limited as a co-promoter. The implementation of the project has been delayed due to issues relating to land allocation and approvals resulting in escalations in project outlay. As per the revised schedule it is expected that the project could go in stream after about 3 years and would be profitable after six years of operation. Under the present circumstances, it would be difficult for the Company to infuse additional funds into the venture and hence your Company opted out of the project by diluting its holding from 63.46 % to 0.23 % in June 2012. In view of this, SEPC has ceased to be a subsidiary of your Company.

Information under Section 212

A statement pursuant to Section 212 of the Companies Act, 1956 (the Act) giving information on the subsidiary companies is attached hereto. In terms of the general exemption granted by the Ministry of Corporate Affairs under Section 212 of the Act, vide General Circular No: 2/2011 dated 8th February 2011 copies of the financial statements and other documents of the subsidiary companies have not been attached to this Report. The Consolidated Financial Statements presented herewith include the financial information of the subsidiaries, as required under Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India.

The annual accounts of the subsidiary companies and the related detailed information will be made available to shareholders of the Company and the subsidiary companies seeking such information and shall also be available for inspection at the Registered Offices of the Company and the subsidiaries.

JOINT VENTURE

Petro Araldite Pvt. Ltd. (PAPL)

PAPL was set up in the year 1996 to manufacture basic resins finding application in and the present JV Partner is Vantigo. The performance of PAPL has been cyclical, but in the recent past PAPL has been incurring losses due to changed market scenario.

As per the provisional figures made available to the Company, during FY 2012-13 PAPL produced a total of 30,323 MTs (as against 29,510 MTs in FY 2011-12) comprising of Basic Liquid Resin, Solid Resin and Formulated products. Sales during the year was Rs. 351 crore compared to Rs. 341 crore during the previous year. Though there was a marginal increase in the sales during the year, owing to the dampened market conditions and cheaper imports, the loss during the year was higher at Rs. 16.35 crore vis a vis Rs. 7.46 crore during the previous year.

HUMAN RESOURCES

Management strongly believes that the strength of your Company is directly proportional to the strength of its employees in terms of knowledge, experience, analytical and decision making skills. Your Company has been practicing various HR initiatives such as recognition, empowerment, personality development, decentralization through 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 stream of experienced hands.

The training needs of employees have been identified at regular intervals through performance appraisal systems and necessary training is imparted through in-house and external programmes. Apart from the routine job related training, personality development and leadership skills are imparted to enhance the administrative capabilities of employees.

The wage settlement for LAB/ECH is pending from 1.1.2005. The case was referred to Industrial Tribunal which gave an award. However, the Company has challenged the Award in the Madras High Court which granted stay and the case is under trial. Actions have been initiated to settle the issue amicably through dialogues, but response of the workmen has been lukewarm.

The manpower strength as on 31st March 2013 was 548 and none of the employees of your Company was in receipt of remuneration exceeding the sum prescribed under Section 217(2A) of the Companies Act, 1956.

DIRECTORS

The Board at the meeting held on 1st November 2012 recorded the resignations of Dr. N. Sundaradevan, IAS, Director & Chairman, Dr. A.C. Muthiah and Mr K. Dhanavel, IAS, as Directors and co-opted Mr. Vikram Kapur, IAS, as Director & Chairman, Mr. Hans Raj Verma, IAS and Mr. Sanjiv Ralph Noronha as Directors.

At the meeting held on 28th January 2013, Board recorded the resignation of Mr Vikram Kapur, IAS as Director & Chairman and co-opted Mr. N S Palaniappan, IAS as Director & Chairman in his place. The Board also recorded the conclusion of terms of office of Mr. RM. Muthukaruppan as Managing Director and Mr V. Ramani as Director & Chief Financial Officer effective close of work on 3rd February 2013 and co-opted Mr. Muthukrishnan Ravi as Director and who was also appointed as the Managing Director of the Company with effect from 4th February 2013.

Mr. N.R. Krishnan, IAS (Retd.) and Mr. C. Ramachandran, IAS (Retd.), Directors retire by rotation and being eligible, offer themselves for re-election.

Mr. N S Palaniappan, IAS, Chairman, Mr. Sanjiv Ralph Noronha, Director and Mr. Muthukrishnan Ravi, Managing Director, hold office upto the date of the ensuing Annual General Meeting. Notices have been received under Section 257 of the Act proposing their candidatures for appointment as Directors of your Company at the said AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) In preparing the Annual Accounts for the year ended 31st March 2013, all the applicable accounting standards have been followed;

(ii) Prescribed accounting policies were adopted and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2013 and of the loss of the Company for year ended on that date;

(iii) Proper and sufficient care for the maintenance of adequate accounting records have been taken in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities; and

(iv) The Annual Accounts have been prepared on a "going concern" basis.

ADEQUACY OF INTERNAL CONTROLS

Your company has in place adequate internal control systems combined with delegation of powers and periodical review of the process. The control system is also supported by internal audits and management reviews with documented policies and procedures.

CORPORATE GOVERNANCE

Your Company has complied with the requirements of Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A Report on Corporate Governance is made a part of this Report and Auditors' Certificate regarding compliance with the requirements of Corporate Governance is attached to this Report.

AUDITORS

M/s. Deloitte Haskins & Sells, appointed as the Auditors of the Company at the 27th Annual General Meeting held on 18th September 2012 hold office till the conclusion of 28th Annual General Meeting and are eligible for re-appointment.

COST AUDIT

The Cost Audit Report for the year ended 31st March 2012, duly certified by Mr. A.N. Raman, Cost Accountant, the then Cost Auditor was filed on 1st February 2013 against the extended due date of 28th February 2013. Mr. P.R. Tantri, Cost Accountant has been appointed as the Cost Auditor of the Company for the financial year 2012-13 pursuant to Section 233B of the Companies Act, 1956.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1) (e) of the Companies Act, 1956, are attached, to the extent applicable, and form part of the Report.

ACKNOWLEDGEMENT

Your Directors are grateful to the Government of India, the Government of Tamilnadu, financial institutions, banks, other lending institutions, promoters, technical collaborators, suppliers, customers, joint venture partners and marketing agents for their assistance, co-operation and support. The Directors wish to thank the shareholders for their continued support and also place on record their appreciation for the consistent good work put in by all cadres of employees.

DISCLAIMER

Estimates and expectations stated in the Reports of the Directors and Management Discussion and Analysis may be "forward-looking" statements within the meaning of applicable securities laws and regulations. Actual results could materially differ from those expressed or implied in these reports on account of any change economic conditions affecting demand / supply and price of the products, input cost, in the domestic and international markets, changes in the Government regulations, tax laws, statues and other incidental matters over which the Company has no direct or indirect control.

For and on behalf of the Board of Directors

22nd April 2013
Chennai – 600 068

N.S. PALANIAPPAN, IAS
Chairman

Annexure to Directors' Report

Particulars as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2013 are furnished below to the extent applicable:

A. CONSERVATION OF ENERGY

a) The following are the energy conversation measures implemented by the Company during the year under review and the impact of the same:
   - In LAB division variable frequency drive was commissioned for Pump P1202A which resulted in savings of around 68,000 units/year.
   - P1912D was derated to achieve an energy savings of 450 units.
   - In Chlor Alkali Division zero gap retrofit cathodes were fixed in 3 electrolysers resulting in total energy savings of about 3,69,360 units.
   - As an energy saving measure one main transformar and two auxillary transformers were stopped which resulted in energy savings of around 95,130 Units.

b) Details of total energy consumption and energy consumption per unit of production are furnished in Form A below:

FORM - A

Form for disclosure of particulars with respect to conservation of Energy

	Current year 2012-13	Previous year 2011-12
(A) Power and Fuel Oil consumption		
1) Electricity		
a. Purchased from TNEB		
Units (in lakhs)	**750.80**	958.80
Variable cost (Rs. in lakhs)	**4,388.10**	4,187.60
Total cost (Rs. in lakhs)	**5,292.70**	4,973.00
Rate/Unit (Rs.)		
Units charges (Rs. / Unit)**	**5.84**	4.4
Demand charges (Rs. / KVA)	**300**	300
**Variable cost includes peak hour charges		
Purchased from Third Party	**488.92**	189.81
Total Cost (Rs. in lakhs)	**3,030.85**	898.92
Unit charges (Rs. / Unit)	**6.20**	4.74
Units (in lakhs) From IEX Power	**93.05**	-
Total Cost (Rs. in lakhs)	**634.65**	-
Unit Charges (Rs./Unit)	**6.82**	-

TPL

	Current year 2012-13	Previous year 2011-12
b. Own generation		
Through Diesel generator		
Units (in lakhs)**	**749.07**	945.33
Units/Litre of fuel	**4.00**	4.02
Rate/Unit (Rs.)	**10.04**	8.88
**Includes power exported to grid		
2) Furnace oil/LSHS		
Quantity (KL)	**73,704.90**	78,405.20
Total amount (Rs. in lakhs)	**26,355.63**	25,384.60
Average rate (Rs./KL)	**35,758.30**	32,376.20
3) Diesel		
Quantity (KL)	**20.965**	35.044
Total amount (Rs. in lakhs)	**9.41**	14.45
Average rate (Rs./KL)	**44,900.10**	41,240.40

(B) Consumption per unit (MT) of production

Products with details	(Standard if any)	**Current year**			Previous year		
		LAB	**ECH**	**CAD-Caustic**	LAB	ECH	CAD-Caustic
Electricity (KWHR/MT)		**613.02**	**1433**	**2772**	617.07	1419	2715
Furnace oil (MT)		**0.4867**	**0.781**	**0.065**	0.474	0.662	0.058
Coal (Specify Quality)		**-**	**-**	**-**	-	-	-
Others (Specify)		**-**	**-**	**-**	-	-	-

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are shown in Form B below:

FORM-B

I Research & Development (R&D):

Research and Development activities are mainly focussed towards enhancing the quality of the products manufactured by the Company and improving the process of manufacture to achieve better specific consumption of raw materials and chemicals. Studies are also conducted to develop new applications for existing by-products of the Company.

1) Specific Areas in which R&D carried out by the company
- Development of new applications for existing products
- Studies related to improvement of quality of Products.

2) Benefits derived as a result of above R&D
- Value addition to existing products by developing new applications
- Improving the customer satisfaction there by retaining the existing customers.
- Aim to contribute for improving turnover with existing inputs

3) Future Plan of Action
- Development of new applications for side stream products
- Studies aimed at improving specific consumption norms.

4) Expenditure on R&D

(a) Capital : Rs.5.63 lakhs
(b) Recurring : Rs.31.04 lakhs
(c) Total : Rs. 36.67 lakhs
(d) Total R&D expenditure as a percentage of total turnover : 0.03%

II Technology Absorption Adaptation and Innovation

Improvements in the process developed by the Company's R&D department have been adopted in production wherever applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

i. Earnings - Rs. 3,158.46 lakhs
ii. Outgo - Rs. 18,958.34 lakhs

TPL

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy :

Tamilnadu Petroproducts Limited firmly believes in the implementation of best practices of corporate governance so that the Company achieves its corporate goals and further enhances stakeholders' value. A great deal of importance is attached to ensuring fairness, transparency, accountability and responsibility towards stakeholders, besides consistently implementing best possible practices by providing optimum level of information and benefits to the stakeholders.

2. Board of Directors :

(i) Composition and membership in other Boards and Board Committees:

As on 31st March 2013, the Board comprised of Eleven directors as detailed below:

Name and Designation	Membership	
	Other Boards	Other Board Committees
a) Non-Executive Directors		
Mr. N.S.Palaniappan, IAS, Chairman, (Nominee of TIDCO)	14 (5)	-
Mr. Ashwin C Muthiah, Vice Chairman, (Nominee of SPIC)	4(3)	-
Mr. Hans Raj Verma,IAS, (Nominee of TIDCO)	13(5)	3(1)
Mr. T.K. Arun, (Nominee of TIDCO)	11 (1)	7
Mr. R. Karthikeyan, (Nominee of TIDCO)	6	3
Mr. Sanjiv Ralph Noronha, (Nominee of SPIC)	3	1
b) Executive Director		
Mr. Muthukrishnan Ravi, Managing Director (Nominee of SPIC)	1	1
c) Independent Non-Executive Directors		
Mr. C. Ramachandran, IAS (Retd)	8	7(1)
Mr. N.R. Krishnan, IAS (Retd)	4	3(1)
Mr. Dhananjay N Mungale	8	8(2)
Dr K U Mada	3	6(3)

Notes:

(a) TIDCO is a Public Financial Institution under Section 4A of the Companies Act, 1956 and their nominees are also considered Independent.

(b) Other Directorships exclude foreign companies, private companies, Sec.25 companies and alternate directorships.

(c) Only Membership in Audit Committees, Shareholders/Investors Grievance Committees (other than in TPL) are reckoned for other Board Committee Memberships.

(d) Figures in brackets denote the number of companies/committees in which the Director is Chairman.

(e) Other than Dr K.U. Mada, who holds 3500 equity shares, no other Director holds any shares in the Company.

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

The Board of Directors met five times during the year 2012-13 viz., 26th April, 2nd August, 18th September, 1st November 2012 and 28th January 2013. The 27th AGM of the Company was held on 18th September 2012 and all the Directors on the Board as on that date including the Audit Committee Chairman attended the AGM.

The details of attendance of the Directors at the Board Meetings are as follows:-

Name	Period of Office held during the year	No.of meetings held during the period of office	No. of Meetings attended	Attendance at the Last AGM
Dr N Sundaradevan, IAS	Upto 1-11-2012	4	2	Yes
Mr. Vikram Kapur, IAS	1-11-12 to 28-01-13	2	1	NA
Mr N S Palaniappan, IAS	28-1-13 onwards	1	-	NA
Mr.Ashwin C Muthiah	Full year	5	5	Yes
Mr.K Dhanavel,IAS	26-4-12 to 1-11-12	3	3	Yes
Mr Hans Raj Verma, IAS	1-11-12 onwards	2	1	NA
Mr T.K.Arun	Full year	5	5	Yes
Mr R Karthikeyan	Full year	5	4	Yes
Dr A C Muthiah	Upto 1-11-2012	4	2	Yes
Mr Sanjiv Ralph Noronha	1-11-12 onwards	2	1	NA
Mr. Dhananjay N. Mungale	Full year	5	4	Yes
Mr. N.R. Krishnan, IAS (Retd)	Full year	5	5	Yes

Name	Period of Office held during the year	No.of meetings held during the period of office	No. of Meetings attended	Attendance at the Last AGM
Dr K.U. Mada	Full year	5	4	Yes
Mr C. Ramachandran IAS (Retd)	Full year	5	5	Yes
Mr V Ramani	Upto 03-02-2013	5	5	Yes
Mr. RM. Muthukaruppan	Upto 03-02-2013	5	5	Yes
Mr. Muthukrishnan Ravi	4-2-13 onwards	-	-	NA

NA – Not applicable, as he was not a Director of the Company on the date of the last AGM.

3. Audit Committee:

(i) Terms of reference

An Audit Committee of the Board of Directors was constituted in 1987. The terms of reference of the Audit Committee cover the matters specified in respect of such Committee under Clause 49 of the Listing Agreement, as amended from time to time and Section 292 A of the Companies Act, 1956. The brief description and terms of reference are;

- Overseeing of the Company's financial reporting process and the disclosures of its Financial Information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services.
- Reviewing with the Management the quarterly, half-yearly and annual Financial Statements before submission to the Board.
- Reviewing with the Management, statutory and internal Auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the Internal Audit Department.
- Discussion with Internal Auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with External Auditors before the audit commences on the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Compliance with listing and other legal requirements relating to financial statements.

(ii) Composition

The Committee comprises of the following independent directors, viz., Mr. C.Ramachandran, IAS (Retd) Chairman, Dr K.U. Mada, Mr N.R. Krishnan, IAS (Retd) and Mr. T.K.Arun as Members.

Managing Director, Chief Financial Officer, representatives of Statutory Auditors, Cost Auditor and Internal Auditors are invitees to the Audit Committee meetings and the Company Secretary is the Secretary to the Committee.

(iii) Meetings and attendance

The Committee met six times during the year 2012-13 viz., on 2nd April, 26th April, 2nd August, 18th September, 1st November 2012 and 28th January 2013. Dr. K. U. Mada attended five meetings and the other members attended all the meetings.

4. Remuneration Committee:

(i) Terms of reference, composition and meeting:

The Committee reviews and recommends to the Board on matters relating to fixation and payment of remuneration to the Executive Directors and is constituted from time to time to consider and approve the remuneration payable to the Executive Directors.

During the year, Board constituted the Remuneration Committee comprising of Mr. C. Ramachandran, IAS (Retd), Director as the Chairman, Mr. N.R.Krishnan, IAS (Retd) and Mr. Dhananjay N Mungale, Directors as the other Members which met on 28th January 2013 to fix the remuneration payable to Mr Muthukrishnan Ravi, who was appointed as the Managing Director of the Company from 4th February 2013. All the members of the Committee attended the meeting.

(ii) Remuneration Policy

The following is the managerial remuneration policy of the Company.

(a) For Executive Directors

The remuneration of the Whole Time/ Executive Directors comprises of a fixed component and a performance linked pay, fixed by the Remuneration Committee, and subsequently approved by the Members. Remuneration trend in the industry and in the region, academic background, qualifications, experience and contribution of the individual are considered in fixing the remuneration. These Directors are not eligible to receive sitting fees for attending the meetings of the Board and Committees.