



# **Tamilnadu Petroproducts Limited**

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**30<sup>th</sup> ANNUAL REPORT**  
**2014 – 15**

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**Board of Directors\***

C.V. Sankar, IAS.	DIN:00703204	Chairman
Ashwin C Muthiah	DIN:00255679	Vice Chairman
C. Ramachandran, IAS (Retd)	DIN:00050893	Director
N.R. Krishnan, IAS (Retd)	DIN:00047799	Director
Dhananjay N. Mungale	DIN:00007563	Director
Dr. K.U. Mada	DIN:00011395	Director
Kulbir Singh	DIN:00204829	Director
Sashikala Srikanth	DIN:01678374	Director
T.K. Arun	DIN:02163427	Director
R. Karthikeyan	DIN:00824621	Director
M. Pazhaniandy Pillai	DIN:06874820	Whole-Time Director (Operations)
Muthukrishnan Ravi	DIN:03605222	Managing Director

\* As on 4<sup>th</sup> August, 2015

**Company Secretary**

R. Deepti

**Registered Office & Factory**

Manali Express Highway,  
Manali, Chennai - 600 068.  
Tel : 25941501 - 10 Fax : 25941139  
CIN: L23200TN1984PLC010931  
E-Mail: secy-legal@tnpetro.com Website : www.tnpetro.com

**Registrar & Share Transfer Agent (RTA)**

Cameo Corporate Services Limited  
"Subramanian Building". 1, Club House Road,  
Chennai - 600 002.

**Auditors**

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

**Cost Auditor**

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

**Secretarial Auditor**

Mrs. B. Chandra  
Company Secretaries,  
A2, Happy Home Apartments, No.9,  
4th Main Road, United India Colony,  
Kodambakkam, Chennai - 600 024.

**Internal Auditors**

M/s. Sundar Srin & Sridhar,  
Chartered Accountants,  
1st Floor, New No.9, Rajamannar Street,  
T.Nagar, Chennai - 600 017.

**Bankers**

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

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## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirtieth Annual Report on the business and operations of the Company and the audited Statement of Accounts for the year ended 31st March 2015.

### FINANCIAL RESULTS

(Rs. in crore)

Description	2014-15	2013-14
Loss Before Interest and Depreciation	<b>(31.22)</b>	7.09
Interest	<b>(19.57)</b>	(32.27)
Depreciation	<b>(20.60)</b>	(30.43)
Loss Before Tax	<b>(71.39)</b>	(55.60)
Tax expenses	<b>(18.32)</b>	(18.30)
Loss after tax	<b>(53.07)</b>	(37.30)

### OPERATIONAL HIGHLIGHTS AND PRODUCT-WISE PERFORMANCE

During the year under review, revenue from operations was Rs. 949.87 crore vis-a-vis Rs. 1051.82 crore in FY 2013-14. The loss for the year was higher at Rs. 53.07 crore against Rs.37.30 crore in the previous year. Also, the Company made an operating loss of Rs. 17.55 crore against operating profit of Rs. 7 crore in FY 2013-14.

It may be recalled that through concerted efforts the operations improved during the first six months of the year under review and the Company recorded an operating profit of Rs. 18.12 crore against the operating loss of Rs. 14.13 crore in the corresponding period in the previous year. The unexpected fall in the crude prices during the 3rd quarter of the year resulted in sharp and sudden drop in the prices of Linear Alkyl Benzene (LAB) in the domestic market which was unprecedented. The crude prices remaining low for a long time, the high cost inventory held by the Company had to be sold at the lower prices to avoid compounding of the cash flow issues. This resulted in huge cash losses during the 3rd and 4th quarter.

Large scale import of cheaper LAB continued to wean away the domestic customers. The increase in power cost coupled with uncertainties in uninterrupted supply was also another limiting factor to recover the fixed costs in full, adding to the losses. Due to inconsistency in the supply of power from the EB grid, CPP had to be operated continuously to avoid frequent interruptions, the cost of heavy re-start and also to meet the customer commitments.

The Chlor Alkali Division producing Caustic Soda and Chlorine had to be operated at a reduced load due to lower demand and also storing and disposal issues of Chlorine. The imports of caustic soda into India increased from 3.74 lakh tons in 2013-14 to over 5 lakh tons during the year under review. The high cost of power which is the major production cost for the Division further reduced the margins and the Division continued to incur losses.

The operations of the ECH Division continued to remain suspended and the effluent treatment services to Petro Araldite Private Limited, the joint venture company was also stopped as the latter also ceasing operations during the 2nd half of the year.

### FINANCIAL REVIEW

During the year 2014-15 there were moderate changes in interest rates and the bank rate came down from 9% in March 2014 to 8.5% in March 2015. There was decline in the overall bank credit growth and also aggregate of bank deposits. The inflation also

declined sharply mainly on account of lower crude oil prices and other steps taken by the regulators.

During the year under review the finance cost was lower at Rs. 19.57 crore against Rs. 32.27 crore during the previous year. This was made possible through lower borrowings and repayment of long term loans out of the proceeds from sale of property. CARE reaffirmed the rating at BBB, signifying the current capacity of the Company to meet its debt obligations.

### 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 manufacturing units viz., Linear Alkyl Benzene (LAB), Chlor Alkalis comprising Caustic Soda & Chlorine and Epichlorohydrin (ECH).

LAB, a colorless organic compound is an intermediate chemical used in the manufacture of household and industrial cleaning agent and enjoys a good demand from the detergent industry as its basic raw material. Based on application, the LAB market can be broadly segmented into Linear Alkylbenzene Sulfonate (LAS) and other applications. A major portion of the global LAB production is utilized for the production of LAS. The applications for LAS have been further segmented on the basis of the end use namely heavy-duty laundry liquids, light-duty dishwashing liquids and laundry powders, industrial and household cleaners. Heavy-duty laundry liquids are mainly used for commercial laundry purposes and are the most dominant application segment for LAS. It has been reported that the demand for household cleaners is expected to exhibit the fastest growth rate amongst all the application segments. Other niche applications of LAB include ink solvents, agricultural herbicides, wetting agents, emulsion polymerization, electric cable oil and the paint industry.

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.

In the past domestic demand for LAB was being met fully through indigenous sources and a substantial quantity was being exported. In the past two years, LAB imports in India were more than 2.2 lakh tons. The sudden spurt in LAB imports into India during the past few years is mainly attributable to globalization, economic slowdown witnessed all over the world and creation of new capacities in the Middle East. The domestic players could not compete with the overseas suppliers due to modern facilities of large capacities which ensured very low cost compared to the cost structure of your Company.

**Caustic Soda**, a most commonly used industrial chemical, finds wide application in Textile, Pulp & paper, Aluminium, Soaps & detergent industries in India. The capacity in India was about 34.66 lakh ton in March 2015 with a capacity utilization of around 81%. The capacity is expected to increase to 36.70 lakh ton by March 2016. India has enough capacity to meet the domestic demand but due to dumping from overseas, the capacity utilization has been low.



**Chlorine**, a co-product of Caustic Soda is widely used in sectors like Vinyl chloride, CPW, pulp and paper, water purification, chlorinated solvents, etc. Chlorine demand will be a major driver for Chlor-alkali production rates and the reason for low capacity utilization is due to inadequate opportunity for Chlorine utilization; – Lack of integrated plants, and downstream chlorine utilization projects.

## OPPORTUNITIES AND THREATS

### LAB

Concern about hygiene and improved standard of living has aided in considerable improvement of market conditions. This has helped the detergent markets to reach remote areas, with the facility of visual advertisements. Moreover, consumers have privilege of choosing from wide variety of product range and hence the companies are constantly upgrading their products and make every effort to bring the utmost innovative advertising campaign to increase their share in the global market. Since these companies target the bottom of the pyramid market, there is a huge potential for the LAB industry to grow.

However, India being an attractive market is targeted by the overseas LAB players and has resulted in increased imports to India. Addition of new plants in the Middle East is a big threat to the LAB market in India. Also, a new plant which is likely to be set up in Bangkok will be a major threat to the company, with Chennai being the nearest port. These will have an impact on domestic pricing which is already reeling under pressure.

**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 power is curbing the profitability of the domestic manufacturers. Because of the erratic weather conditions, salt prices are unpredictable. India has adequate capacity to meet domestic demand of caustic soda, but due to heavy imports at low price from other countries, industry operating rates are low.

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. Downstream PVC Industry in India is growing @ 10% (YOY in 2014-15) but not utilizing domestic chlorine due to non-availability of petro-chemical feedstock. In a year, nearly 30% of the PVC domestic demands are met by imports. India continues to be one of the largest importers of EDC & VCM i.e. indirect imports of chlorine leading to low utilization of domestic chlorine. The problems of storage and disposal of Chlorine during peak demand for Caustic Soda are the major limiting factors for both Caustic Soda and Chlorine. "Mis-matched" demand for Caustic & Chlorine sets the price trend for the product and the realizations are affected considerably.

## RISK MANAGEMENT POLICY

The Company has over the years developed a frame work for risk management and laid down procedures to inform Board members about the risk assessment and minimization procedures. A risk management plan has been framed and implemented and monitored by the Board. As required under S. 177 of the Act, the Audit Committee also reviews the risk management process periodically.

As part of the risk management plan, TPL has two employee-level Committees viz., a sub-committee and an Apex Committee which

is headed by the Whole-time Director (Operations) to review and assess the risks that could affect the Company's business. The sub-committee brings out the matters that could affect the operations and the same are reviewed by the Apex Committee, which determines the issues that could become business risk. The mitigation actions are also suggested by the Committee and the report of the Risk Controller is submitted to the Risk Management Committee of Directors (RMC), constituted in compliance with the Listing Agreement. The Committee which comprises Ms. Sashikala Srikanth as Chairperson, Mr. Muthukrishnan Ravi and Mr T.K. Arun as the other Members reviews the report of the Risk Controller and the recommendations are presented to the Board for final decision/guidance.

## RISK AND CONCERNS

As mentioned above, the import of LAB, Caustic Soda and indirect form of Chlorine is the major risk faced by TPL. Due to the increasing transportation charges and bulk discounts offered to the customers in order to keep them intact, LAB realisation remains low. The uncertainty of the normal paraffin imports and the fluctuating exchange rates is yet another major risk to the company.

Chlor Alkali Division of TPL is a power intensive industry and hence the renewable purchase obligation, which is being challenged by the Company at the appropriate forum, could be a dampener in its efforts to bring down the power cost. Continuous dip in the chlorine prices, soaring cost of salt and transportation are adding to the woes. To mitigate the risk of survival of Chlor Alkali Division in the long run, the input cost viz., power and salt is to be addressed by the company.

## OUTLOOK

### LAB

TPL has established itself as a major contributor in the LAB market. Despite ever increasing LAB imports year on year, TPL has been continuously offering its best service to its customers, thereby keeping the customer base intact. It is gratifying that TPL has been able to increase the volumes by over 15% during the year under review over the previous year and the losses have been on account of pricing issues caused by unabated imports into India.

During the year 2014-15, LAB imports were around 2.2 lakh tons against 2.15 lakh tons in 2013-2014, 3% more than the previous year's imports. TPL is also focussing on increasing the Normal Paraffin (NP) capacity to cut down its imports and capacity augmentation proposal is under implementation.

### Caustic Soda / Chlor alkali

The Global Caustic Soda growth is expected to be 3.2% by 2018. Alumina and Pulp & Paper sectors, major consumers of Caustic Soda have been impacted by the global economic outlook. It has been stated that the growth in many of developed regions will be slow. On the other hand, with the ongoing expansion projects, the caustic soda availability from the USA, Asia and Middle East will be threatening more with further increase in the imports into India, which is already affected by huge and ever-increasing imports. The imports have more than doubled in about 4 years at 5.08 lakh tons in 2014-15 from 1.87 lakh tons in 2010-11. The imports during April 2015 were over 75,000 tons against 56,000 tons in the corresponding period of the previous year.

It has been reported that the Indian industry is capable of meeting its domestic demand but because of high input costs and poor infrastructure, is not competitive internationally. It also

faces dumping of cheap imports from other countries like Iran, Saudi, South Korea, Japan, etc. where power is available at a lower price. To overcome this, focus will have to be on zero liquid discharge and reduction in power consumption which will need more of integrated plants. However, under the present conditions TPL may not be able to go for integration and hence the long term survival of the HCD would depend on the success of the cost cutting efforts taken by the Company

#### **ECH**

During the year, your company received environment clearance for conversion of the ECH facility to manufacture Propylene Oxide from the Ministry of Environment, Forest and Climate Change, Government of India. Further actions are on to operationalize the conversion which may take about 18 – 24 months. It may be recalled that the ECH facility remains suspended since 2013 due to unviable operations and incurring huge losses for eight years out of ten years. On completion of the conversion the Company would be in a position to sell/utilize the Chlorine for value and hence the production at HCD can be increased to more economic levels. Also it would have converted the otherwise unproductive facility to earn reasonable returns.

#### **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, Heavy Chemicals Division of your company bagged State Safety award for the year 2011 and was honored by Inspectorate of Factories, Tamilnadu. There were no reportable incidents/accidents during the year 2014-15. To spread the awareness on safety, your company celebrated National Safety Day on 4th March 2015. World Environment Day was celebrated on 5th June 2015 and saplings were planted as a part of green initiative and to promote carbon offset.

#### **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 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 was affected due to varied factors, mainly regulatory issues in Bahrain. Therefore the project had to be abandoned and the company was liquidated voluntarily.

CITL also established CITL (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 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. 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.

The policy on material subsidiaries is given in the website of the Company [http://tnpetro.com/Financials/fina\\_policies.asp](http://tnpetro.com/Financials/fina_policies.asp)

#### **JOINT VENTURE**

##### **Petro Araldite Pvt. Ltd. (PAPL)**

PAPL was set up in the year 1996 to manufacture basic resins for epoxy applications and the present JV Partner is Vantigo. PAPL has facilities for manufacture of Basic Liquid Resin, Solid Resin and Formulated products. The performance of the JV has been cyclical, but in the recent past PAPL has been incurring losses due to changed market scenario. With the conditions not improving, PAPL has closed down their Basic Resins manufacturing facilities during the previous year. The formulations plant was also stopped during the year under review. In the light of the above, provision has been made in the accounts for the year for the entire value of TPL's investment in PAPL.

As per the unaudited figures furnished by PAPL, the total revenue during the year was Rs. 107.74 crore compared to Rs. 219.71 crore during 2013-14 and incurred a loss of Rs. 3.34 crore against Rs. 10.55 crore in 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 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 stream of experienced hands.

The training needs of employees have been identified at regular intervals through performance appraisal systems and necessary training is being 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 Industrial relations are cordial.

The manpower strength as on 31st March 2015 was 392 and none of the employees of your Company was in receipt of remuneration exceeding the sum prescribed under Section 198 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

##### **Details of Loans, guarantees or investments**

During the year under review the Company purchased 2,20,735 equity shares of Rs. 10/- each in OPG Power Generation Private Limited to become a Group Captive Consumer of the power generated by the said company.

##### **Audit Committee**

The details are furnished under CGR annexed to this Report. All the recommendations of the Committee were accepted by the Board.

##### **Vigil Mechanism**

As required under S. 177 of the Act and Clause 49 of the Listing Agreement, the Company has established a vigil mechanism for directors and employees to report genuine concerns through the whistle blower policy of the Company as published in the website of the Company. As prescribed under the Act and the Listing Agreement, provision has been made for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.



### Fixed Deposits

Your company has not accepted any deposits from the public during the year under report.

### Related Party Transactions

During the year under review, there were no transactions with related parties referred to in S.188(1) of the Act. The other transactions with such parties were not material in terms of the policy framed by the Audit Committee of the Company as published in the website viz., [http://tnpetro.com/Financials/fina\\_policies.asp](http://tnpetro.com/Financials/fina_policies.asp)

### Board of Directors and related disclosures

The Board comprises of twelve directors of whom six are independent including a woman director. All the Independent Directors have furnished necessary declarations under Section 149 (7) of the Act and as per the said declarations they meet the criteria of independence as provided in Section 149 (6) of the Act.

The Board met five times during the year under review and the relevant details are furnished in the CGR.

The Board has approved the Remuneration Policy as recommended by the Nomination and Remuneration Committee (NRC) which inter alia contains the criteria for determining the positive attributes and independence of a director as formulated by the NRC. The policy on remuneration to directors is disclosed in the CGR annexed to this Report.

Mr. Sanjiv Ralph Noronha (DIN: 01905639) resigned as a Director effective from 11th August 2014

At the Board Meeting held on 12th August 2014, Mr. Kulbir Singh (DIN: 00204829) and Ms. Sashikala Srikanth (DIN: 01678374) were appointed as Additional & Independent Directors of the Company for a period of five years under Section 149 of the Act. Approval of the members for the same under Sections 150, 152, 160 read with Schedule IV to the Act will be considered at the ensuing AGM.

Mr. Ashwin C Muthiah, (DIN 00255679) Vice Chairman retires by rotation and being eligible offers himself for re-election.

At the meeting held on 27th May 2014, Mr. K R Anandan was appointed as the Chief Financial Officer under Section 203 of the Act who separated from the Company on 30th June 2015. Ms. R Deepti was appointed as the Company Secretary in the place of Mr. R. Kothandaraman from 1st June 2014.

### Annual Evaluation of the Board, Committees and Directors

The formal evaluation of the Board and its Committees was done taking into account the various parameters such as their roles and responsibilities, composition and the adequacy, decision making processes and related practices, focus on important and critical issues, progress monitoring, governance and the like.

The evaluation of the individual directors, including the independent directors was done taking into account their qualification and experience, understanding of their respective roles (as a Director, Independent Director and as a member of the Committees of which they are Members/Chairpersons), adherence to Codes and ethics, conduct, attendance and participation in the meetings, etc.

In compliance with the requirements of Schedule VII to the Act and Clause 49 of the Listing Agreement, a separate meeting of the Independent Directors was held during the year.

During the year, the company had conducted familiarization programme for the Independent Directors and the details of the

same are made available in the website of the company viz., [http://tnpetro.com/Financials/Fina\\_corp.asp](http://tnpetro.com/Financials/Fina_corp.asp)

### Directors' Responsibility Statement

Pursuant to the requirement of sub-sections 3 (c) and 5 of Section 134 of the Act it is hereby confirmed that

- (a) in the preparation of the annual accounts for the financial year ended 31st March 2015, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (d) the Directors had prepared the accounts for the financial year ended 31st March, 2015 on a "going concern" basis.
- (e) the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

### Corporate Governance

Your Company has complied with the requirements of Corporate Governance stipulated 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 a Certificate from the Auditors regarding compliance with the requirements of Corporate Governance is given in Annexure - I.

### Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai were appointed as the Auditors of the Company at the 29th Annual General Meeting held on 12th August 2014 to hold office till the conclusion of 31st Annual General Meeting. As required under Section 139 of the Act, ratification of their appointment to hold office from the conclusion of the 30th AGM till the conclusion of the 31st AGM will be taken up at the ensuing AGM.

### Reply to qualification in the Report of the Auditors on the Consolidated Financial Statement:

As regards the short term advance of Rs. 3419.54 lakh carried in the Consolidated Financial Statement (CFS), it has been confirmed that as on date the subsidiary has recovered the entire dues in full.

As regards the Long Term Loans and Advances of Rs. 1249.80 lakh in the CFS, which represent the advance paid to the technology partner for knowhow, there is time till December 2016 to avail the same. It is also being explored if the rights can be transferred to other interested parties and hence at present no adjustment is deemed necessary.



In the light of the above, it is expected that these matters will have no impact on the Consolidated Financial Statement.

#### Secretarial Audit Report

As required under Section 204 of the Act, the Secretarial Audit Report issued by Mrs. B Chandra, Company Secretary in practice is given in Annexure - II. As regards the observation of the Secretarial Auditor it is clarified that all the directions of the CPCB have been duly complied with and the inspection has also been completed.

#### Cost Audit

Mr. P.R.Tantri, Cost Accountant, Bengaluru was appointed as the Cost Auditor of the Company by the Board for the financial year 2014-15 on a remuneration of Rs. 1.25 lakh plus applicable taxes and reimbursement of out of pocket expenses.

As required under S. 148 of the Act, read with the relevant Rules, ratification of the members for the remuneration to the Cost Auditor for 2014-15 will be considered at the ensuing AGM of the Company.

#### Adequacy of Internal Financial Controls

Your company has in place adequate internal financial 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. The system was also reviewed by an external agency, and no major weaknesses were reported.

#### Conservation of Energy and other disclosures

As required under Section 134 of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, information on conservation of energy, technology absorption, foreign exchange earnings and outgo, to the extent applicable are given in Annexure - III and form part of this Report.

#### Extract of the Annual Report

The extract of the Annual Report is given in Annexure - IV, in the prescribed format.

#### Particulars of Employees and other disclosures

The disclosures prescribed under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure - V to this Report. It is hereby affirmed that the remuneration to the employees are as per the remuneration policy of the company.

#### CSR Policy and related Disclosures

The details are furnished in Annexure - VI

#### 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 thank the shareholders for their continued support.

The Directors also place on record their appreciation for the contributions by all cadres of employees of the company.

#### Disclaimer

The Management Discussion and Analysis contained herein is based on the information available to the Company and assumptions based on experience in regard to domestic and global economy, on which the Company's performance is dependent. It may be materially influenced by changes in economy, government policies, environment and the like, on which the Company may not have any control, which could impact the views perceived or expressed herein.

For and on behalf of the Board of Directors

4<sup>th</sup> August 2015  
Chennai – 600 068

Muthukrishnan Ravi  
DIN:03605222  
Managing Director

Ashwin C. Muthiah  
DIN:00255679  
Vice Chairman

### ANNEXURE - I REPORT ON CORPORATE GOVERNANCE

#### 1. Company's philosophy on Code of Corporate Governance:

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.

This report covers the corporate governance aspects in your Company relating to the year ended 31st March 2015.

#### 2. Board of Directors :

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

As on 31st March 2015, the Board comprised of twelve directors as detailed below:

Name	Category	Membership	
		Other Boards	Other Board Committees
Mr. C.V. Sankar, IAS., Chairman (Nominee of TIDCO)	Non-Executive, Non Independent	14(5)	2
Mr. Ashwin C Muthiah, Vice Chairman (Nominee of SPIC)	Non-Executive, Non Independent	4(3)	1
Mr. C. Ramachandran, IAS (Retd)	Non-Executive, Independent	6	5

Name	Category	Membership	
		Other Boards	Other Board Committees
Mr. N. R. Krishnan, IAS (Retd)	Non-Executive, Independent	7(1)	6(3)
Mr. Dhananjay N Mungale	Non-Executive, Independent	7	7 (3)
Dr K U Mada	Non-Executive, Independent	2	4(2)
Mr. Kulbir Singh	Non-Executive, Independent	2	2
Ms. Sashikala Srikanth	Non-Executive, Independent	6	4(1)
Mr. T.K. Arun, (Nominee of TIDCO)	Non-Executive, Non Independent	9	9 (1)
Mr. R. Karthikeyan, (Nominee of TIDCO)	Non-Executive, Non Independent	6(1)	3
Mr. Muthukrishnan Ravi, Managing Director (Nominee of SPIC)	Executive, Non Independent	1	1
Mr. M. Pazhaniandy Pillai, Whole-time Director, (Nominee of SPIC)	Executive, Non Independent	-	-

**Notes:**

- Other Directorships exclude foreign companies, private companies, Section 8 companies and alternate directorships.
  - Only Membership in Audit Committees and Stakeholders' Relationship Committees (other than in TPL) are reckoned for other Board Committee Memberships.
  - Figures in brackets denote the number of companies/committees in which the Director is Chairman
  - None of the Directors other than Dr K.U. Mada & Mr. M. Pazhaniandy Pillai who hold 3500 shares and 200 shares respectively, hold any shares in the Company.
  - None of the Directors have any inter-se relationship.
- (ii) **Board Meetings, Annual General Meeting(AGM) and attendance thereat**

The Board of Directors met five times during the year 2014-15 viz., on 27th May 2014, 12th August 2014, 6th November 2014, 5th February 2015 and 23rd March 2015. The 29th AGM of the Company was held on 12th August 2014. The details of attendance of the Directors at the Board Meetings and AGM 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
Mr. C V Sankar, IAS	Full year	5	1	Yes
Mr. Hans Raj Verma, IAS	Upto 18.06.2014	1	1	NA
Mr. Ashwin C Muthiah	Full year	5	5	Yes
Mr. C. Ramachandran	Full year	5	5	Yes
Mr. N.R. Krishnan	Full year	5	5	Yes
Mr. Dhananjay N. Mungale	Full year	5	3	Yes
Dr K.U. Mada	Full year	5	4	Yes
Mr. Kulbir Singh*	From 12.08.2014	3	3	NA
Ms. Sashikala Srikanth*	From 12.08.2014	3	3	NA
Mr. T.K.Arun	Full year	5	5	Yes
Mr. R Karthikeyan	Full year	5	4	Yes
Mr. Sanjiv Ralph Noronha	Upto 11.08.2014	1	1	NA
Mr. Muthukrishnan Ravi	Full year	5	5	Yes
Mr. M. Pazhaniandy Pillai	Full year	5	5	Yes

\* Appointed at the meeting held after the AGM.

**3 Audit Committee:**

**(i) Terms of reference**

The Audit Committee of the Board of Directors was constituted in 1987. The terms of reference of the Audit Committee covering the matters specified in respect of such Committee were modified in line with the then requirements of Clause 49 of the Listing Agreements with Stock Exchanges. Consequent to the enactment of the Companies Act, 2013 (the Act) at the Board meeting held on 12th August 2014, the terms of reference were aligned to the requirements of Section 177 of the Act and the amended Listing Agreement.

**(ii) Composition, Meetings and Attendance**

As on 31<sup>st</sup> March 2015, the Committee comprised of Mr.C.Ramachandran IAS (Retd.) as Chairman, Mr.N.R.Krishnan IAS (Retd.), Dr. K.U.Mada and Mr. T.K.Arun as the other members. The Committee met five times during the year 2014-15 viz., 27th May 2014, 12th August 2014, 6th November 2014, 5th February 2015 and 23rd March 2015. All the members attended all the meetings except Dr. K.U.Mada who attended four of these meetings. The Company Secretary is the Secretary to the Committee.



#### 4. Nomination and Remuneration Committee

##### (i) Terms of reference and composition

In compliance with the requirements of Section 178 of the Act and clause 49 of the Listing Agreement, the Board constituted the Nomination and Remuneration Committee at the meeting held on 27th May 2014 with Mr. C Ramachandran, IAS (Retd.) as the Chairman & Mr. N R Krishnan, IAS (Retd.), Mr. Ashwin C Muthiah and Mr. T K Arun as the other members.

The terms of reference are to Identify persons who are qualified to become directors and who may be appointed in senior management, Recommend to the Board appointment and removal of the directors, evaluate the performance of the directors, formulate criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy relating to the remuneration to the directors, key managerial personnel and other employees, devise policy on Board diversity and such other matter as may be prescribed under the Act, the Rules made thereunder and the Listing Agreements.

##### (ii) Meetings and Attendance

The Committee met three times during the year 2014-15 viz., 27th May 2014, 12th August 2014, and 5th February 2015 and the meetings were attended by all the members. The Company Secretary is the Secretary to the Committee.

##### (iii) Remuneration Policy

The Remuneration Policy of the Company as approved by the Board inter alia, contains the criteria for appointment of Independent Directors, Executive Directors, Key Managerial Personnel and other employees, manner of appointment, remuneration policy for Executive and Non-Executive Directors, Guiding principles for fixing remuneration to employees who are not directors, etc. The following is the Remuneration Policy for Directors.

##### i. For Executive Directors

The remuneration of the Whole Time/ Executive Directors shall comprise of a fixed component and a performance linked pay, as may be fixed by the NRC 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 to be considered in fixing the remuneration. These Directors are not eligible to receive sitting fees for attending the meetings of the Board and Committees.

##### ii. For Non-Executive Directors

The Non-Executive Directors will be paid sitting fees for attending the Board and Committee Meetings as per the stipulations in the Act, and the Articles of Association of the Company and as recommended by the NRC. Different scales of sitting fee may be fixed for each category of the directors and type of meeting. However, the fees payable to the Independent Directors and Woman Directors shall not be lower than the fee payable to other categories of directors.

In addition to this, the travel and other expenses incurred for attending the meetings are to be met by the Company. Subject to the provisions of the Act and the Articles of Association, the Company in General Meeting may by special resolution sanction and pay to the Directors remuneration not exceeding 1% of the net profits of the Company computed in accordance with the relevant provisions of the Act. The Company shall have no other pecuniary relationship or transactions with any Non-Executive Directors.

##### iii. Details of remuneration paid

(a) Remuneration paid to Executive Directors for the year 2014-15 are as shown below:

(Rs. in lakh)

Sl. No	Description	Mr. Muthukrishnan Ravi, Managing Director	Mr. M. Pazhaniandy Pillai, Whole-time Director (Operations)
01	Salary & Allowances	32.89	25.72
02	Perquisites	3.41	0.13
	Total	36.30	25.85

Note:

- (1) In addition to the above contribution to Provident and other Funds are made by the Company as per the applicable rules. In view of the losses no performance linked pay was paid/ payable.
- (2) Both the above Directors are under contract of employment with the Company which stipulates a notice period of 3 months from either side for early separation. No severance fee is payable and no Employee Stock Option has been offered by the Company.
- (3) Remuneration to Mr. Ravi is being shared by Manali Petrochemicals Limited (MPL) of which also he is the Managing Director. The above is the remuneration relating to the Company only.



(b) Sitting fees paid to non-executive Directors during 2014-15 are detailed below:

Name	Amount (Rs. in lakh)	Name	Amount (Rs. in lakh)
Mr C V Sankar, IAS*	0.5	Mr. Kulbir Singh	1.5
Mr Ashwin C Muthiah	2.1	Ms. Sashikala Srikanth	1.5
Mr. Hans Raj Verma, IAS*	0.1	Mr T.K.Arun*	2.3
Mr C. Ramachandran, IAS (Retd.)	2.3	Mr Sanjiv Ralph Noronha	0.1
Mr. N.R. Krishnan, IAS (Retd.)	2.1	Mr. R. Karthikeyan*	1.2
Mr. Dhananjay N Mungale	0.7	TOTAL	16.1
Dr. K.U. Mada	1.7		

\* Paid to TIDCO

The Company did not have any pecuniary relationship or transactions with the Non - Executive Directors during the Financial Year ended 31st March, 2015.

#### 5. Stakeholders' Relationship Committee:

##### i. Chairman and Compliance Officer

The Chairman of the Committee is Mr. C. Ramachandran, IAS (Retd.) and Ms. R Deepti, Company Secretary is the Compliance Officer.

##### ii. Details of complaints received and pending

During the year 12 complaints were received, all of which were redressed by the Company/RTA. There were no pending complaints as at the end of the year.

#### 6. General Body Meetings:

The particulars of Annual General Meetings held during the last three years and the Special Resolutions passed are as under:

Year	Date	Time	Venue	Special Resolutions considered thereof
2012	18.9.2012	10.35 AM	Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade, Chennai-600 108	Re-appointment of Auditors
2013	5.8.2013	3.00 PM		Appointment of Mr Muthukrishnan Ravi as Managing Director for a period of three years from 4 <sup>th</sup> Feb'13 to 3 <sup>rd</sup> Feb'16 and payment of remuneration
2014	12.8.2014	2.45 PM		1. Appointment of Mr. M. Pazhaniandy Pillai as Whole-time Director (Operations) for a period of three years from 27 <sup>th</sup> May 2014 to 26 <sup>th</sup> May 2017 and payment of remuneration. 2. Approval for borrowing money in the ordinary course of business not in excess of Rs. 1000 crore over and above the aggregate of the paid up capital and free reserves of the company on such terms and conditions as may be agreed to between the company and the lenders.

There were no resolutions requiring approval through postal ballot during the last year and at present no such resolution is being proposed to be passed. The procedure for postal ballot will be as prescribed under the Act.

#### 7. DISCLOSURES

- There were no materially significant related party transactions that had potential conflict with the interests of the Company at large. Transactions in the ordinary course of business with the related parties are disclosed in the Notes to Financial Statements.
- There have been no instances of non-compliance by the Company on any matters related to the capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.
- As stipulated under the Act and the Listing Agreement a Whistle Blower Policy has been framed and the text of the same is uploaded in the website of the Company. The Policy, inter alia, provides for access to the Chairman of the Audit Committee in exceptional cases and no person has been denied access to the Chairman of Audit Committee.
- The Company has laid down procedures to inform the Board members about the risk assessment and its mitigation, which is periodically reviewed to ensure that risk control, is exercised by the Management effectively. Employee level and Board level Committees have been formed to analyze the issues relating to risk management and the action points arising out of the deliberations of the Committees are reviewed by the Board.