



# **TAMILNADU PETROPRODUCTS LIMITED**

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**31<sup>ST</sup> ANNUAL REPORT  
2015-16**

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#### Board of Directors\*

C V Sankar I.A.S	DIN:00703204	Chairman
Ashwin C Muthiah	DIN:00255679	Vice Chairman
C Ramachandran, I.A.S (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
D Senthikumar	DIN:00202578	Whole Time Director (Operations)
K T Vijayagopal	DIN:02341353	Whole Time Director (Finance) & CFO

\* As on 5<sup>th</sup> August 2016

#### Company Secretary

D Hem Senthil Raj

#### Registered Office & Factory

Manali Express Highway  
Manali, Chennai – 600 068  
Tel: 25945588, Fax: 25945588  
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

Krishnaswamy & Co  
Flat 1K, Ramaniyam Ganga,  
Door No: 27-30, First Avenue,  
Ashok Nagar, Chennai – 600 083.

#### Secretarial Auditor

B Chandra  
Company Secretaries,  
AG3, Ragamallika,  
No: 26 Kumaran Colony Main Road,  
Vadapalani, Chennai – 600 026.

#### Internal Auditors

Sundar Srin & Sridhar  
Chartered Accountants,  
1<sup>st</sup> 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 Thirty First Annual Report on the business and operations of the Company and the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2016. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

### FINANCIAL SUMMARY (STANDALONE OPERATIONS):

(INR In crores)

Description	2015- 2016	2014-2015
Earnings/Loss Before Interest and Depreciation	<b>12.76</b>	(17.55)
Interest	<b>14.74</b>	19.57
Depreciation	<b>17.58</b>	20.60
Exceptional Item	<b>57.71</b>	(13.68)
Profit/Loss Before Tax	<b>38.15</b>	(71.39)
Tax expenses	-	(18.32)
Profit/Loss after tax	<b>38.15</b>	(53.07)

### OPERATIONAL HIGHLIGHTS AND PRODUCT- WISE PERFORMANCE

During the year under review, revenue from operations was INR. 700.63 crores Vis a Vis INR. 949.87 crores in FY 2014-15. The profit for the year was at INR. 38.15 crores against a loss of INR. 53.07 crores in the previous year. Crude prices continued to remain volatile ranging from USD 58 per barrel to USD 39 per barrel impacting the topline, however through better strategy the Company achieved higher margins compared to the previous year. The Company also in order to manage better cashflows sold one of its non moveable property and made a profit of INR 66.20 crores which is reflected under exceptional item. ECH plant which was suspended since 2013 owing to losses was impaired (INR 8.49 crores) during the year. The Operating profit achieved during the year was INR 12.76 crores as against the previous year loss of INR 17.55 crores.

Linear Alkyl Benzene (LAB) constitutes almost 90% of revenues for the Company and various efforts are being initiated both on production and marketing front. We expect this to improve further in the coming years. Normal Paraffin (NP) revamp phase I was completed in January 2016 and this has already improved the feed rate and marginal improvement in NP production.

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. Various cost cutting measures are being initiated to bring down the cost of production.

Chennai faced heavy rains and consequent flooding in the months of December 2015 and January 2016 which resulted in shut down of plants for almost 2 months. However the combined team efforts of the Organisation brought the Plant back to speedy recovery and commencement of normal production. The insurance cover also helped to recover the losses incurred from insurers.

### ECH TO PO CONVERSION:

The Board of Directors have already informed the shareholders regarding the shut down of operations of ECH during March 2013 due to losses incurred. As indicated in the previous year reports, steps have been taken to utilise the existing facilities for the manufacture of propylene oxide. Clearance from MOEF has already been obtained, Basic engineering is currently in progress.

### FINANCIAL REVIEW

During the year under review the finance cost was lower at INR 14.74 crores against INR 19.57 crores. This was made possible through lower borrowings and repayment of long term loans out of the proceeds from sale of property.

### DIVIDEND

In order to conserve resources, the Board of Directors had not recommended any dividend for the financial year 2015-16.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### 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.

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 years before 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 3.2 lakh tons. The sudden spurt in LAB imports into India during the past few years is mainly attributable to economic slowdown witnessed all over the world and creation of surplus capacities in the Middle East and reduced capacity utilisation in India. 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 & detergents 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 has increased to 36.70 lakh ton by March 2016 and is expected to grow by about 5 % in margin by March 2017. 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.

Chlorine demand has gone up during the year 2015-16 and it is expected to witness an increase in the year 2016-17 due to downstream consumption by caustic manufacturers.

**Caustic soda** imports during the year witnessed about 5.7 lakhs tons in FY 2015-16 compared to 5.00 lakhs tons in the previous financial year 2014-15.

#### OPPORTUNITIES AND THREATS

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 LABIX, a new plant which was set up in Bangkok, Thailand with an annual capacity of 1 lakh ton capacity 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.

Crude prices continued to be volatile. This had it's own impact on the topline/revenue of the company. Imports from China, Thailand and Middle East continues to be a threat.

**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 2015-16) 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.

#### 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. TPL has been able to sustain it's market share across pan India and dominate the South market especially.

During the year 2015-16, LAB imports were around 3.20 lakh tons against 2.20 lakh tons in 2014-15, a big jump compared to the previous year's imports. TPL is also focussing on increasing the NP capacity to cut down its imports and capacity augmentation proposal is under implementation.

TPL has completed Phase I of NP revamp which has resulted in increased feed rate and marginal production of NP Phase II is underway.

##### 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 5 years at 5.08 lakh tons in 2015-16 from 1.87 lakh tons in 2010-11. The imports during April 2016 were over 85,000 tons against 75,000 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, Korea RP, Japan, etc. where power is available at a lower price. To overcome this, TPL is focussing on reduction of power consumption and power cost. 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. Company is exploring the option for switch over from monopolar to bipolar technology which will result in savings by means of reduced power consumption.

##### ECH

The company had already 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 15-18 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 last ten years. On completion of the conversion the Company would be in a position to utilize the Chlorine for value paving way for enhancing the utilization of caustic soda unit 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.

## 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 may come down. 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.

## 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.

There were no reportable incidents/accidents during the year 2015-16. To spread the awareness on safety, your company celebrated National Safety Day on 4<sup>th</sup> March 2016. World Environment Day was celebrated on 5<sup>th</sup> June 2016 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 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 had shut down its operations including their Basic Resins manufacturing facilities since 2014. The formulations plant was also stopped during the year 2014-15. The entire investment made by TPL in PAPL has been written off during the previous financial 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 man power strength as on 31<sup>st</sup> March 2016 was 334 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

Loans, guarantees and investments covered under section 186 of the Companies Act, 2013 form part of the Notes to financial statements provided in this Annual Report.

## FIXED DEPOSITS

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

Particulars of contracts or arrangements made with related parties

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

## AUDIT COMMITTEE

The details are furnished under the Corporate Governance Report (CGR) annexed to this Report.

### Vigil Mechanism

As required under Section 177 of the Act and Regulation 22 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015, 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 Regulations, provision has been made for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

## 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 Section 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 Regulations. The RMC reviews the report of the Risk Controller and the recommendations are presented to the Board for final decision/guidance.

In the opinion of the Directors, unabated import of LAB and Caustic Soda into India is the major risk for the company that could affect the company's business and profitability. High cost of power is yet another concern for the company especially for the Chlor Alkali Division.

## 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 four times during the year under review and the relevant details are furnished in the Corporate Governance Report (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 is available in the website of the Company viz., [http://tnpetro.com/Financials/fina\\_policies.asp](http://tnpetro.com/Financials/fina_policies.asp).

At the Board Meeting held on 4<sup>th</sup> August 2015, Mr. K.T.Vijayagopal has been appointed as Chief Financial Officer of the Company under Section 203 of the Companies Act, 2013.

During the year under review, Mr. Muthukrishnan Ravi ceased to be Managing Director on his completion of his term of office effective from 3<sup>rd</sup> February 2016 and Mr. M. Pazhaniandipillai, Wholetime Director (Operations) has demitted his office effective from 1<sup>st</sup> February 2016.

The Board accorded its sincere appreciation and gratitude for the services rendered by Mr. Muthukrishnan Ravi, Managing Director and Mr. M. Pazhaniandipillai, Wholetime Director (Operations) for their phenomenal support and guidance extended during their association with the company.

At the meeting held on 1<sup>st</sup> February 2016, Mr D Senthikumar (DIN 00202578) was appointed as an Additional Director of the Company effective from 18<sup>th</sup> February 2016. Pursuant to the recommendations of the Nomination and Remuneration Committee (NRC) he has also been appointed as the Whole-

time Director (Operations) for a period of three years, subject to approval of the Members. As per Section 161 of the Companies Act, 2013, he holds office till the ensuing AGM and it is proposed to appoint him as a Director under section 152 of the Companies Act, 2013 for which the required notice and deposit under section 160 of the Act have been received. It is also proposed to seek approval of the Members for his appointment and remuneration as Whole-time Director (Operations).

At the meeting held on 1<sup>st</sup> February 2016, Mr. KT Vijayagopal (DIN 02341353) was appointed as an Additional Director of the Company effective from 1<sup>st</sup> February 2016. Pursuant to the recommendations of the Nomination and Remuneration Committee (NRC) he has also been appointed as the Whole-time Director (Finance) for a period of three years, subject to approval of the Members. As per Section 161 of the Companies Act, 2013, he holds office till the ensuing AGM and it is proposed to appoint him as a Director under section 152 of the Companies Act, 2013 for which the required notice and deposit under section 160 of the Act have been received. It is also proposed to seek approval of the Members for his appointment and remuneration as Whole-time Director (Finance).

Mr. TK Arun, (DIN 02163427) Director retires by rotation and being eligible offers himself for re-election at the ensuing Annual General Meeting of the Company. The Board recommends his re-appointment.

## ANNUAL EVALUATION OF THE BOARD AND COMMITTEES

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.

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 31<sup>st</sup> March 2016, 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 31<sup>st</sup> March, 2016 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 Regulation 27 of the SEBI Listing Regulations. 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 for a period of three years at the 29<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> August 2014 to hold office till the conclusion of 31<sup>st</sup> Annual General Meeting.

In this connection, the Act has brought in provisions for rotation of auditors and your Company is also required to comply with the same. As per Section 139 (2) of the Act, in the case of Auditors, being a Firm, the tenor can be 2 terms of five years each. Initially a transition period of 3 years from the date of commencement of the Act had been provided for changing the Auditors who have been in office for periods exceeding the limits and accordingly the Company at the 29<sup>th</sup> AGM appointed the existing Auditors to hold office till the ensuing AGM. However, the transition period has been extended and the change of Auditors could now be considered at the first AGM to be held three years after the commencement of the Act. Accordingly, the existing Auditors can continue till the conclusion of the next AGM to be held in the year 2017.

## 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 the delay in filing of the FLA return with RBI within the stipulated time period was due to oversight. However the same has been filed with RBI before the date of signing of this report.

## Cost Audit

M/s. Krishnaswamy & Co, Cost Accountants, was appointed as the Cost Auditors of the Company for the financial year 2015-16 on a remuneration of INR 2.00 lakh plus applicable taxes and reimbursement of out of pocket expenses.

As required under Section 148 of the Act, read with the relevant Rules, ratification of the members for the remuneration to the Cost Auditor for the year 2015-16 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 Companies Act, 2013 (‘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 RETURN

The extract of the Annual Return in prescribed Form MGT-9 is given in **Annexure – IV** in the prescribed format.

## PARTICULARS OF EMPLOYEES AND OTHER DISCLOSURES

The disclosures prescribed under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) and Rule 5(2) 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**

**Ashwin C Muthiah**  
DIN 00255679  
Vice Chairman

**D Senthikumar**  
DIN 00202578  
Wholtime Director (Operations)

5<sup>th</sup> Aug 2016  
Chennai – 600 068

## ANNEXURE - I TO DIRECTORS' REPORT

### 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.

This report covers the corporate governance aspects in your Company relating to the year ended 31<sup>st</sup> March 2016.

#### 2. Board of Directors :

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

As on 31<sup>st</sup> March 2016, the Board comprised of twelve directors as detailed below:

Name	Membership	
	Other Boards	Other Board Committees
<b>Non Independent</b>		
<b>Non Executive</b>		
Mr C V Sankar, IAS., Chairman (Nominee of TIDCO)	10 (6)	-
Mr Ashwin C Muthiah, Vice Chairman (Nominee of SPIC)	3 (3)	1
Mr T K Arun (Nominee of TIDCO)	9	9 (1)
Mr R Karthikeyan (Nominee of TIDCO)	7 (1)	3
<b>Executive</b>		
Mr K T Vijayagopal, Whole-time Director, (Nominee of SPIC)	-	-
Mr D Senthikumar, Whole-time Director, (Nominee of SPIC)	-	-
<b>Independent</b>		
Mr C Ramachandran, IAS (Retd)	6	5
Mr N R Krishnan, IAS (Retd)	7 (1)	6 (3)
Mr Dhananjay N Mungale	7	9 (3)
Dr K U Mada	2	4 (2)
Mr Kulbir Singh	2	1
Ms Sashikala Srikanth	6	5 (2)

Notes:

- (a) Other Directorships exclude TPL, foreign companies, private companies, Section 8 companies and alternate directorships.
- (b) Only Membership in Audit Committees and Stakeholders' Relationship Committee (other than in TPL) are reckoned for other Board Committee Memberships.
- (c) Figures in brackets denote the number of companies/committees of listed companies in which the Director is Chairman.
- (d) None of the Directors hold any shares in the Company other than Dr K U Mada who holds 3500 equity shares and Mr K T Vijayagopal who holds 200 equity shares of the Company.
- (e) None of the Directors have any inter-se relationship.
- (f) The details of familiarization programmes imparted to the Independent Directors are disclosed in the website of the Company at ([http://www.tnpetro.com/Financials/fina\\_corp.asp](http://www.tnpetro.com/Financials/fina_corp.asp)).



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

The Board of Directors met four times during the year 2015-16 viz., on 19<sup>th</sup> May 2015, 4<sup>th</sup> August 2015, 3<sup>rd</sup> November 2015 and 1<sup>st</sup> February 2016. 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	4	2	Yes
Mr Ashwin C Muthiah	Full Year	4	4	Yes
Mr C Ramachandran IAS (Retd)	Full Year	4	3	Yes
Mr N R Krishnan IAS (Retd)	Full Year	4	4	Yes
Mr Dhananjay N Mungale	Full Year	4	3	Yes
Dr K U Mada	Full Year	4	4	No
Mr Kulbir Singh	Full Year	4	4	Yes
Ms Sashikala Srikanth	Full Year	4	4	Yes
Mr T K Arun	Full Year	4	4	Yes
Mr R Karthikeyan	Full Year	4	4	Yes
Mr Muthukrishnan Ravi	Upto 03.02.2016	4	4	Yes
Mr Pazhaniandy Pillai	Upto 01.02.2016	4	3	Yes
Mr K T Vijayagopal	From 01.02.2016	* NA	* NA	* NA
Mr D Senthikumar	From 18.02.2016	* NA	* NA	* NA

\* Not Applicable

**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 covering the matters specified in respect of such Committee have been aligned with the requirements of Section 177 of the Companies Act, 2013 and the Securities Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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

As on 31<sup>st</sup> March 2016, 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 four times during the year 2015-16 viz. 19<sup>th</sup> May 2015, 4<sup>th</sup> August 2015, 3<sup>rd</sup> November 2015 and 1<sup>st</sup> February 2016. All the Members attended all the meetings except Mr C Ramachandran who attended three 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 erstwhile Listing Agreements, the Board constituted the Nomination and Remuneration Committee at the meeting held on 27<sup>th</sup> 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 of the Nomination & Remuneration Committee comply with the matters specified in respect of such Committee were modified in line with the then requirements of Regulation 19(4) and Part D of Schedule II of the Securities Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

During the year under the guidance of the Board of Directors, the Nomination & Remuneration Committee has formulated the criteria and framework for performance evaluation for every director on the Board, including the executive and independent directors and identified ongoing training and education programs to ensure the non executive directors are provided with adequate information regarding the business, the industry, and their legal responsibilities and duties. The details are available in the website of the company.

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 Regulations.

(ii) **Meeting and Attendance**

The Committee met three times during the year 2015-16 viz., 4<sup>th</sup> August 2015, 3<sup>rd</sup> November 2015 and 1<sup>st</sup> February 2016 and the meetings were attended by all the members except Mr C Ramachandran who attended two of these meetings. The Company Secretary is the Secretary to the Committee.

i) **Details of remuneration paid**

(a) Remuneration paid to Executive Directors for the year 2015-16 are as shown below:

Sl No	Description	Mr Muthukrishnan Ravi Managing Director	Mr M Pazhaniandi Pillai Whole-Time Director (Operations)	Mr. K.T. Vijayagopal Whole-Time Director (Finance) & CFO	Mr D Senthikumar Whole-Time Director (Operations)
01	Salary & Allowances	34.05	25.53	13.07	4.21
02	Perquisites	-	0.08	0.07	0.04
	<b>Total</b>	<b>34.05</b>	<b>25.61</b>	<b>13.14</b>	<b>4.25</b>

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) 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) Mr Ravi was the Managing Director of the Company till 3<sup>rd</sup> February 2016. His remuneration during the said period was shared between the Company and MPL of which also he is a Managing Director.
  - (4) Remuneration to Mr M Pazhaniandi Pillai is paid for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> January 2016.
  - (5) Remuneration to Mr KT Vijayagopal is paid for the period 4<sup>th</sup> August 2015 to 31<sup>st</sup> March 2016 and to Mr D Senthikumar for the period 18<sup>th</sup> February 2016 to 31<sup>st</sup> March 2016.
  - (6) No Employee Stock Option has been offered by the Company to any of the Directors.
- (b) Sitting fees paid to non-executive Directors during 2015-16 are detailed below:

Name	Amount (Rs in lakh)	Name	Amount (Rs in lakh)
Mr C V Sankar IAS *	1.00	Mr Kulbir Singh	2.00
Mr Ashwin C Muthiah	2.00	Ms Sashikala Srikanth	2.00
Mr C Ramachandran IAS (Retd)	1.50	Mr T K Arun*	2.00
Mr N R Krishnan IAS (Retd)	2.00	Mr R Karthikeyan*	2.00
Mr Dhananjay N Mungale	1.50	<b>TOTAL</b>	<b>18.00</b>
Dr K U Mada	2.00		

\* Paid to TIDCO

The Company did not have any pecuniary relationship or transactions with the Non-Executive Directors during the Financial Year ended 31<sup>st</sup> March 2016.

**5. Stakeholder's Relationship Committee**

1. **Chairman and Compliance Officer**

The Chairman of the Committee is Mr C Ramachandran IAS (Retd) and Mr D Hem Senthil Raj Company Secretary is the Compliance Officer.

2. **Details of Complaints received and pending**

During the year 10 complaints were received, all of which are redressed by the Company / RTA. There were no pending complaints as at the end of the year.