



# **TAMILNADU PETROPRODUCTS LIMITED**

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**32<sup>ND</sup> ANNUAL REPORT  
2016-17**

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#### Board of Directors\*

Atulya Misra, I.A.S	DIN:02210369	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 16<sup>th</sup> May 2017

#### 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, Ragamalika,  
No: 26 Kumaran Colony Main Road,  
Vadapalani, Chennai – 600 026.

#### Internal Auditors

Sundar Srinivas & 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  
The Federal Bank Ltd

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

### Dear Shareholders,

Your Directors have pleasure in presenting the Thirty Second 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 2017.

### FINANCIAL SUMMARY (STANDALONE OPERATIONS):

(INR In crore)

Particulars Description	2016- 2017	2015-2016
Earnings Before Interest and Depreciation	<b>67.06</b>	12.76
Interest	<b>34.35</b>	14.74
Depreciation	<b>15.76</b>	17.58
Exceptional Item	<b>25.00</b>	57.71
<b>Profit Before Tax</b>	<b>41.96</b>	38.15
Tax expenses	<b>32.40</b>	-
<b>Profit after tax</b>	<b>9.55</b>	38.15

### OPERATIONAL HIGHLIGHTS AND PRODUCT-WISE PERFORMANCE

During the year under review revenue from operations was ₹1010.54 crore vis a vis ₹793.55 crore in FY 2015-16. Operating profit for the year was at ₹ 67.06 crore compared to previous year figure of ₹12.76 crore. Significant improvement in Operating profit was achieved mainly on account of managing optimum production, maintaining near zero inventory level of finished goods and reduction of costs through Normal Paraffin capacity revamp. Net profit for the year was at ₹9.55 crore Vis a Vis ₹38.15 crore in the previous year. It may be recalled that the profit for the year 2015-16 included exceptional items such as sale of property. Further the profit for the year under review is lower due to higher tax provision relating to earlier years.

Crude prices continued to remain volatile ranging from USD 55 per barrel to USD 45 per barrel impacting the topline as well the raw material costs. However through better strategy the Company managed to achieve higher margins compared to the previous year.

Linear Alkyl Benzene (LAB) product currently contributes to almost 90% of revenues for the Company and continuous efforts are put in to improve both on production and marketing fronts. The Phase II of Normal Paraffin (NP) revamp work was completed in October 2016 which helped in increasing the feed processing rate and improved NP production.

The Chlor Alkali Division producing Caustic Soda and Chlorine had to be operated at a reduced load mainly on account of lower demand and disposal issues of Chlorine. Various cost cutting measures have been taken to bring down the cost of production. Despite the Chlor alkali division's operation remaining at lower levels, the caustic production was still 24% higher than the previous year.

During the month of December 2016, cyclonic storm 'Vardha' hit Chennai causing damages. Apportion of the roof sheets and insulation material in the columns were blown off in the factory. Many trees were uprooted causing obstruction to normal movement for a few days. Consequent to this, the Chlor Alkali division had to be shut-down for nearly 10 days due to non availability of power. However, LAB plant was operated at a lower capacity using captive power generators. The Company has made appropriate insurance claims for the damages..

### ECH to PO Conversion:

The operation of ECH plant remains shut down since April 2013 on account of continuous losses incurred. As indicated in the earlier years' reports, steps have been taken to utilise the existing facilities available in the ECH Plant for manufacture of Propylene Oxide (PO), which is the input for Polyols. Environment Clearance form Ministry of Environment, Forest and Climate Change (MOEFCC) has already been obtained and Consent to Establish (CTE) has also been received from Tamilnadu Pollution Control Board (TNPCB).

The Basic Engineering and detailed engineering work has been completed. At present, civil works are in progress at the site. A project subcommittee has been constituted by the Board to monitor the progress of the project and aid in reduction of cost and timely completion. The project is expected to be commissioned by the end of the financial year 2017-18.

### Financial Review

During the year while the finance cost for operations was much lower at ₹8.62 crore against the previous year's ₹14.74 crore. However, the total finance cost is higher due to provision for interest on income tax relating to earlier years.

The company has been reaffirmed with ratings of CARE BBB- signifying 'low credit risk' for long-term bank facilities and short-term bank facilities with outlook stable and this is expected to improve further considering the performance achieved during the year.

### DIVIDEND

In order to conserve resources, the Board of Directors had not recommended any dividend for the financial year 2016-17.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company has two manufacturing units viz., Linear Alkyl Benzene (LAB), Chlor Alkalies comprising Caustic Soda & Chlorine.

Linear Alkyl Benzene (LAB) is a family of organic compounds used in the manufacture of household and industrial cleaning agent.. It's appearance is colourless oily liquid with a density 0.8628 g cm-3 and boiling point of 282-302 °C. LAB, the material used to produce Linear Alkyl Benzene Sulfonate (LAS) and other applications, is derived exclusively from petroleum derivatives: benzene and linear paraffins. LAB are compounds that have significant commercial importance and enjoys a good demand from the detergent industry. The applications for LAS have been further segmented on the basis of end use namely heavy duty laundry liquids, light duty dish



washing liquids and laundry powders, industrial and household cleaners. Detergent industry is expected to grow at a fast pace due to both population increase and lifestyle changes. LAB are more easily biodegradable than branched alkyl benzenes. LAB have essentially replaced branched alkyl benzenes in detergents and other products. In particular long alkyl chains, such as chains having about 10 to 14 carbons are commonly used.

Historically, linear alkyl benzenes are manufactured commercially using classic Friedel-Crafts condensation employing catalysts such as aluminium chloride, or by using strong acid catalysts such as hydrogen fluoride, for example, to alkylate benzene with olefins. In 1995, a solid bed alkylation process, the Detal® process, using a solid non-corrosive acid catalyst was introduced. While such methods produce high conversions, the selectivity to the 2-phenyl isomer typically is about 30 percent or less.

Huntsman Corporation, CEPSA Quimica, S.A., Quimica Venoco, CA, Sasol North America and Repsol-YPF, Jin Tung Petrochemical, Unggul Indah Cahaya are some of the leading producers of LAB in the world.

The Indian industry made a modest beginning in 1978 with the commissioning of first LAB plant at Vadodara. Subsequently, Tamilnadu Petroproducts Limited (TPL), Reliance Industries Ltd (RIL) and Nirma Ltd set up facilities for the manufacture of LAB. Indian Oil Corporation Ltd (IOC) commissioned a plant of capacity of 120 KTA in August 2004. The 2017-18 production capacity of LAB in India is projected at 450KTA with demand pegged for 2017-18 at 579 KTA.

Growth in household detergents is driving demand for LAB produced from kerosene-derived normal paraffins. Some LAB also find minor use as solvent and binder in speciality applications, as for instance in cable oil, ink industry, paint, insulating and electricity.

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.

Earlier, domestic demand for LAB was being met fully through indigenous sources and a substantial quantity was being exported. During the last three years, LAB imports in India were more than 2 lakh tons. The sudden spurt in LAB imports into India in the recent years is partly attributable to economic slowdown witnessed abroad and the creation of surplus capacities in the Middle East. The domestic players could not compete with the overseas suppliers who have modern facilities with large capacity build ups which ensured very low cost production as compared to the cost structure of TPL.

**Caustic Soda**, a most commonly used industrial chemical, finds wide applications in textile, pulp & paper, aluminium, soaps & detergents industries. The capacity in India is approximately 35 lakh tons with a capacity utilization of around 70%. The demand is expected to grow by about 5 % year on year. 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, Chlorinated paraffin wax (CPW), pulp and paper, water purification, chlorinated solvents, etc. Chlorine

demand will be a major driver for Chlor-alkali capacity utilisation 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

Concern about hygiene and improved standard of living has helped 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 the privilege of choosing from a wide variety of product range and hence the companies are constantly upgrading their products and make every effort to bring the 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 it is targeted by the overseas LAB players which 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 set up in Bangkok about a year ago, is seen as a major threat to the Company in the form of increased imports. Chennai being the nearest port, these will have an impact on domestic pricing.

Crude prices continues to be volatile and uncertain. This had its own impact on the topline/revenue and as well raw material cost of the Company. Imports from China, Thailand and Middle East continue to be a threat. The Company through prudent inventory management is minimizing the risk associated with the crude price.

**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 larger 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, because of the heavy imports at low price from other countries, the industry is operating at relatively low margin.

Significant capacity changes are expected in the caustic soda market at the end of the year 2017 with several large chlor alkali plants due to be closed as a result of phasing out of mercury cell technology in Dec 2017. Europe market is expected to be more tighter from late 2017, which could be balanced by higher plant run rates.

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 2016-17) but not utilizing domestic chlorine on account 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 the products. "Mis-matched" demand for

Caustic and Chlorine sets the price trend for the product and the realisations are affected considerably.

## OUTLOOK

### LAB

TPL has established itself as a major contributor in the LAB market, despite increasing LAB imports year on year, TPL has been offering its best possible service to its customers and keeping the customer base intact. TPL has been able to sustain its market share across pan-India with a predominant role in southern part of India.

TPL during the year increased the N-Paraffin production capacity further to cut down imports and thereby reduced the operating costs significantly.

During the year, the Ministry of Commerce had approved Anti Dumping Duty for LAB arrivals into India originating from China, Qatar and Iran. This measure should be expected to improve the LAB prices in the near term. However the import volumes from Saudi Arabia are still a concern but it is not expected to have major impact in South India in terms of volumes.

### 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 scenario. It has been stated that the growth in many of the developed regions would be slow. On the other hand, with the ongoing expansion projects abroad, the caustic soda availability from the USA, Asia and the Middle East will be further affected with likely increase in imports into India, which had already been affected by further large imports.

It has been reported that the Indian industry is capable of meeting its domestic demand but because of high input costs and poor infrastructure, it is not competitive internationally. It is also faced with the dumping of cheap imports from other countries like Iran, Saudi, Korea RP, Japan, etc. where power is available at a lower cost. In order to face this competition TPL is focusing on reduction of power consumption and power cost. However, under the present conditions TPL may not be able to go in for integration and hence the long-term prospect of the HCD would largely depend on the success of the cost cutting efforts taken by the Company. The Company is exploring the option to switch over from monopolar to bipolar technology which will result in saving by means of reduced power consumption.

## 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 bulk discounts offered to the customers to ensure steady supply, LAB realisation could come down. The uncertainty emanating from the normal paraffin imports is yet another major risk to the company, but with the expansion of the in-house NP capacity, this risk has been mitigated to a larger extent. However, the inconsistent TNP content of LABFS from CPCL and issues faced by refineries in evacuation of kerosene due to fall in consumption of PDS kerosene across the country is posing a threat for availability of kerosene for n-paraffin production. This could result in higher import of normal paraffin for better productivity, although at a higher cost.

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.

## 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 2016-17.
- Your Company celebrates National Safety Day every year with true spirit and several competitions were conducted for employees and contractors so as to enhance their awareness of the safety measures and Prizes were distributed to winners.
- World Environment Day is also celebrated each year and Tree Plantation programmes organised for planting saplings as part of green initiative to promote carbon offset. Some of the uprooted trees due to the impact of Vardah cyclone were replanted and their survival ensured.

## SUBSIDIARIES

As at the year end, your Company had one Wholly Owned Subsidiary (WOS) and two Step Down Subsidiaries (SDS), all of which are incorporated outside India. The financials of all these subsidiaries have been consolidated and the financial and other information have been furnished in the Consolidated Financial Statement (CFS) attached to this Report.

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

Your Company established Certus Investment and Trading Ltd. (CITL), Mauritius as its WOS to serve as a Special Purpose Vehicle (SPV) to set up LAB and NP projects in the 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 (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 it on schedule. The Company is examining further as to what action to be taken in this regard.

During the year the subsidiaries have not undertaken any major activity and the Company is exploring actions to be taken in this regard.

The policy on material subsidiaries is given in the website of the Company <http://tnpetro.com/corporate-governance-policies/>

## 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 practising various HR initiatives such as recognition, empowerment, personality development, decentralization of delegation of powers etc., to retain the talents and to enhance their capabilities. A balanced staffing system has been adopted in your Company wherein competent fresh talents have been infused 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.

The manpower strength as on 31<sup>st</sup> March 2017 was 368.

#### **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 Companies Act, 2013. The policy on transactions with related parties framed by the Audit Committee of the Company is published in the website of the Company viz., <http://tnpetro.com/corporate-governance-policies/>.

#### **Audit Committee**

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

#### **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 keep the Board members informed of the risk assessment and mitigation measures. A risk management plan has been framed, 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 they are reviewed by the Apex Committee, which determines 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 erstwhile listing regulations. Though it is not mandatory for the Company to have the RMC under the extant Regulations, considering the importance of the matter the Board has continued with the Committee, which comprises Ms. Sashikala Srikanth as Chairman and Mr. T K Arun and Mr. D Senthikumar as the Members. The RMC meets periodically 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 into India is a major risk for the Company that could affect its profitability. High cost of power coupled with policy interpretations related to power cost are yet another concern for the Company, especially for the Chlor Alkali Division.

#### **Board of Directors and related disclosures**

The Board comprises 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 declarations they meet the criteria of independence as provided in Section 149 (6) of the Act.

The Board met six 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 is available in the website of the Company viz., <http://tnpetro.com/corporate-governance-policies/>.

During the year under review, Mr. CV Sankar, IAS demitted his office as Chairman and Director effective 4<sup>th</sup> August 2016 consequent to his superannuation on 30<sup>th</sup> July 2016. Mr. Vikram Kapur, IAS was appointed as an Additional Director and Chairman effective 10<sup>th</sup> October 2016 and held office till 3<sup>rd</sup> April 2017. Mr. Atulya Misra, IAS has been appointed as the Chairman and Director effective 10<sup>th</sup> April 2017 and he holds office till the ensuing Annual General Meeting. The proposal for his appointment as a Director of the Company and requisite notice and deposit have been received under Section 160 of the Act, for his appointment as a Director at the AGM.

The Board wishes to place on record its appreciation to Mr. CV Sankar, IAS and Mr. Vikram Kapur, IAS for their services during their tenure as Chairman and Director of the Company.

At the meeting held on 30<sup>th</sup> May 2016, Mr. R. Balaji was appointed as Chief Financial Officer of the Company under Section 203 of the Companies Act, 2013 who separated from the Company on 4<sup>th</sup> August 2016. Mr. K.T Vijayagopal, Wholtime Director (Finance) was designated as Chief Financial Officer in addition to his role as Wholtime Director (Finance) effective 5<sup>th</sup> August 2016.

Mr. D. Hem Senthil Raj was appointed as the Company Secretary in the place of Ms. R. Deepti from 1<sup>st</sup> June 2016.



In accordance with the provisions of the Act and Articles of Association of the Company, Mr. R Karthikeyan, (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**

Board evaluated its performance taking the following aspects into account viz., Structure, Meetings, Functions, Risk Evaluation process adopted, grievance redressal mechanism, stakeholder value and responsibility, corporate culture and ethics and other matters. Board also took into account facilitation to the Independent Directors to function independently and perform their roles as another important parameter for the evaluation.

The performance of each of the Committees was evaluated taking into account the clarity and disclosure of the composition, mandate & working procedures, effectiveness, structure and meetings, independence and contribution in decision making process.

The evaluation of the two Executive Directors was done based on their assigned roles and responsibilities. As regards the other Directors, including the independent directors, the evaluation was done taking into account the following parameters, viz., qualification, experience, competency, adequacy of knowledge about the Company and its sector of operation, understanding about the strategic direction, ethical behaviour, participation in the risk evaluation process, resolving conflict of interests, attendance and participation at the meetings, ability to work as a team player and voluntary sharing of information for the larger benefit of the Company and the like.

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

#### **Directors' Responsibility Statement**

Pursuant to the requirement of sub-sections 3 (c) and 5 of Section 134 of the Companies Act, 2013 it is hereby confirmed that

- (a) in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2017, 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 profits 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, 2017 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 forms part of this Report and a Certificate from the Auditors regarding compliance with the requirements of Corporate Governance is given in **Annexure – I** to this report.

#### **Auditors**

The present Auditors of the Company, Deloitte Haskins & Sells, Chartered Accountants, Chennai hold office till the conclusion of the 32<sup>nd</sup> Annual General Meeting (AGM) of the Company.

In compliance with the provisions for rotation of auditors, the Company is required to appoint new Auditors at the ensuing AGM.

Based on the recommendation of the Audit Committee the proposal for appointment of M/s. RGN Price & Co., Chartered Accountants, Chennai having Firm Registration No. 002785S as the auditors of the Company on a remuneration of ₹ 20 lakh plus applicable taxes and reimbursement of out of pocket expenses is placed for consideration of the Members at the ensuing AGM. As per the extant provisions of the Act, they will hold office for a period of five years from the conclusion of 32<sup>nd</sup> AGM till the conclusion of 37<sup>th</sup> AGM to be held in the year 2022 subject to the ratification of the Members at each subsequent AGM.

#### **Secretarial Audit Report**

As required under Section 204 of the Act read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit Report issued by Ms. B Chandra (CP No.7859), Company Secretary in practice, Chennai is given in **Annexure – II** to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

#### **Cost Audit**

Pursuant to the provisions of Section 148 of the Act, the Board had appointed M/s. Krishnaswamy & Co, Cost Accountants, the Cost Auditors of the Company for conducting the audit of cost records for the financial year 2016-17 on a remuneration of ₹ 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 2016-17 will be considered at the ensuing AGM of the Company for ratification by the members.

#### **Adequacy of Internal Financial Controls**

Your company has in place adequate internal financial control systems with periodical review of the process. The control system is also supported by ERP, internal audits and management reviews with documented policies and procedures. The system was also earlier 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 brief outline of CSR policy of the Company and such other details and disclosures as per the prescribed format are furnished in **Annexure –VI** to this 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 thank the shareholders for their continued support.

The Directors also place on record their high 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**

16<sup>th</sup> May 2017  
Chennai – 600 068

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

**KT Vijayagopal**  
DIN 02341353  
Wholetime Director (Finance)



## 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 2017.

#### 2. Board of Directors :

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

As on 31<sup>st</sup> March 2017, 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 Vikram Kapur IAS., Chairman (Nominee of TIDCO)	11 (8)	-
Mr Ashwin C Muthiah, Vice Chairman (Nominee of SPIC)	3 (3)	1(1)
Mr T K Arun (Nominee of TIDCO)	10	8 (1)
Mr R Karthikeyan (Nominee of TIDCO)	7	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)	7	3(2)
Mr N R Krishnan IAS (Retd)	7	5 (2)
Mr Dhananjay N Mungale	6	7 (2)
Dr K U Mada	1	2 (1)
Mr Kulbir Singh	2	2(1)
Ms Sashikala Srikanth	6	5(2)

Notes:

- Other Directorships exclude TPL, foreign companies, private companies, Section 8 companies and alternate directorships.
- Only Membership in Audit Committees and Stakeholders' Relationship Committee (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 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.
- None of the Directors have any inter-se relationship
- The details of familiarization programmes imparted to the Independent Directors are disclosed in the website of the Company at (<http://tnpetro.com/corporate-governance-policies/>).

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

The Board of Directors met six times during the year 2016-17 viz., on 24<sup>th</sup> May 2016, 30<sup>th</sup> May 2016, 5<sup>th</sup> August 2016, 22<sup>nd</sup> September 2016, 7<sup>th</sup> November 2016 and 2<sup>nd</sup> February 2017.

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	Upto 24.08.2016	3	1	*NA
Mr Vikram Kapur IAS	From 14.10.2016	2	1	*NA
Mr Ashwin C Muthiah	Full Year	6	4	Yes
Mr C Ramachandran IAS (Retd)	Full Year	6	6	Yes
Mr N R Krishnan IAS (Retd)	Full Year	6	6	Yes
Mr Dhananjay N Mungale	Full Year	6	4	Yes
Dr K U Mada	Full Year	6	5	Yes
Mr Kulbir Singh	Full Year	6	5	Yes
Ms Sashikala Srikanth	Full Year	6	5	Yes
Mr T K Arun	Full Year	6	6	Yes
Mr R Karthikeyan	Full Year	6	5	Yes
Mr K T Vijayagopal	Full Year	6	6	Yes
Mr D Senthikumar	Full Year	6	6	Yes

**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 were modified in line with the then requirements of Clause 49 of the Listing Agreement with Stock Exchanges. Consequent to the enactment of the Companies Act, 2013 (the Act) at the Board meeting held on 12<sup>th</sup> August 2014, the terms of reference were aligned to the requirements of Section 177 of the Act and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

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

As on 31<sup>st</sup> March 2017, 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 six times during the year 2016-17 viz. 24<sup>th</sup> May 2016, 30<sup>th</sup> May 2016, 5<sup>th</sup> August 2016, 22<sup>nd</sup> September 2016, 7<sup>th</sup> November 2016 and 2<sup>nd</sup> February 2017. All the Members attended all the meetings except Dr K U Mada who attended five 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 (the Listing Regulations).

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 there under and the Listing Regulations.