



# **TAMILNADU PETROPRODUCTS LIMITED**

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**33<sup>RD</sup> ANNUAL REPORT  
2017-18**

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#### Board of Directors\*

K Gnanadesikan, I.A.S	DIN:00111798	Chairman
Ashwin C Muthiah	DIN:00255679	Vice Chairman
Ramesh Chand Meena, I.A.S	DIN:08009394	Additional Director
S Visakan, I.A.S	DIN:06578414	Additional Director
C Ramachandran, I.A.S (Retd)	DIN:00050893	Director
N R Krishnan, I.A.S (Retd)	DIN:00047799	Director
Dhananjay N Mungale	DIN:00007563	Director
Dr K U Mada	DIN:00011395	Director
Sashikala Srikanth	DIN:01678374	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> June 2018

#### Company Secretary

K Priya

#### 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

R.G.N. Price & Co,  
Chartered Accountants,  
"Simpsons Buildings",  
No:861 Anna Salai,  
Chennai – 600 002

#### 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 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  
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 Third Annual Report together with the Audited Financial Statements for the year ended 31<sup>st</sup> March 2018. The Management Discussion & Analysis Report which is required to be furnished as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) is also presented as part of the Directors' Report.

### Economic Overview:

India has emerged as the fastest growing major economy in the world in the recent past. Though the GDP growth slowed down during the year under review to 6.5 percent lower than the previous year's 7.1 percent, it is expected to grow at 7.3 percent in 2018-19. Reports suggest that in the long run the overall consumption in India is expected to be four trillion \$ by 2025 due to shift in consumer behavior and expenditure pattern.

With the effects of demonetization in 2016-17 and implementation of GST in 2017-18 having subsided, the growth prospects in the coming years appear to be bright. Further the focus on the rural economy in the budget for 2018-19 promises to increase the availability of disposable surplus in the hands of the consumers, which augurs well for fast moving consumer goods.

### Company Performance:

During the year under review the net revenue from operations was ₹ 1048.90 crore Vis a Vis ₹ 888.85 crore in the previous year. Linear Alkyl Benzene (LAB) production was highest in the history of TPL and combined with improved performance of Heavy Chemicals Division (HCD), your Company could record better sales and profits.

### FINANCIAL SUMMARY (STANDALONE OPERATIONS):

During the year under review your Company has prepared the financial statements under the Ind AS and the summary of the results are as shown below:

(₹ In crore)

Description	2017- 2018	2016-2017
Earnings Before Interest and Depreciation	<b>95.12</b>	66.82
Interest	<b>10.21</b>	34.35
Depreciation	<b>22.22</b>	15.76
Exceptional Item	<b>9.22</b>	25.00
<b>Profit Before Tax</b>	<b>71.91</b>	41.71
Tax expenses	<b>25.20</b>	32.41
<b>Profit after tax</b>	<b>46.71</b>	9.30

From the above table it could be seen that the profitability improved significantly on account of the improved operational parameters.

Though crude prices continued to remain volatile ranging between USD 52 and USD 69 per barrel through better strategy and inventory management, the Company could achieve higher margins.

The Chlor Alkali Division producing Caustic Soda and Chlorine achieved a turnaround during the year, mainly on account of increased demand for both Caustic soda and chlorine. This coupled with higher realizations and improved plant efficiency helped in better performance.

The ECH plant remains shutdown since April 2013 on account of continuous losses incurred and the proposal for converting the facility for manufacture of Propylene Oxide (PO) is under implementation.

### FINANCIAL REVIEW

Through prudent deployment of funds and optimum utilization of working capital limits, your Company could bring down the finance cost from ₹ 8.85 crore in 2016-17 to ₹ 4.87 crore in 2017-18. The figures reflected here exclude interest on tax demands which are grouped under Finance Costs as per Accounting Standards.

At present your Company has no long term debt and all the capex requirements are met from internal accruals. Based on the improved performance, CARE the credit rating agency has improved the Company's credit rating to BBB with outlook stable from BBB- (minus).

### DIVIDEND

Your Company's performance has improved significantly during the year 2017-18 and it is viewed that it would be desirable to restart dividend to fulfill the expectations of the shareholders. Hence your Directors have recommended a dividend of 5% i.e fifty paise per equity share of ₹10/- each fully paid up, for the year 2017-18, aggregating to ₹ 4.50 crore, excluding dividend distribution tax.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Linear Alkyl Benzene (LAB) belongs to family of organic compounds used in the manufacture of household and industrial cleaning agents. LAB, the material used to produce Linear Alkyl Benzene Sulfonate (LAS) and other applications, is produced exclusively from various petroleum derivatives. LAB is a compound that has 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 viz., heavy duty laundry liquids, light duty dishwashing liquids, laundry powders, industrial and household cleaners.

Detergent industry is expected to grow at a fast pace due to both population increase and lifestyle changes. The Asian region is both the largest LAB producing and consuming region in the world. At present the major suppliers are from India and China, but new capacities are coming up in Middle East region.

In India, the LAB industry dates back to 1978 with the commissioning of first LAB plant by IPCL at Vadodara. IPCL was later acquired by Reliance Industries Limited (RIL). Years later TPL, RIL and Nirma set up facilities across India, as import substitution. However, in the recent years, the industry is facing stiff competition from imports mainly from China and Middle East due to globalization and changed import regulations.

As mentioned earlier LAB is used extensively in detergent production though it is also usable as solvent and binder in specialty applications, such as cable oil, ink, paint, and insulating and electricity fields.

All the major manufacturers of LAB in India, including TPL, have adopted the technology from UOP, USA, which is considered superior to the other processes involving chlorination. The cost of production of LAB in India had been relatively higher than the international standards mainly on account of higher cost of kerosene and quality issues relating to the feedstock.

The domestic players always find it difficult to compete with the overseas suppliers who have modern facilities with large capacity which helps them in achieving lower cost of production.

**Caustic Soda**, a most commonly used industrial chemical, finds wide applications in textile, pulp & paper, aluminum and soaps &

detergents industries. The annual increase in demand is expected to be around 5%. As the process is power intensive, the national level capacity utilization is about 70% of the aggregate capacity of around 3.5 million tons. Plants all around the globe are currently converting to newer membrane technology which your Company has already embraced.

**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. Lack of integrated plants and downstream chlorine utilization projects are major impediments to dispose off chlorine which also in turn restricts the caustic production.

## OPPORTUNITIES AND THREATS

Concern about hygiene and improved standard of living has helped in considerable improvement of market conditions for detergents and other cleaning materials. With the help of visual advertisements, the detergent manufacturers have found it easier to reach remote areas. Moreover, consumers have the privilege of choosing from a wide variety of product range and hence the companies are constantly upgrading their products and making every effort to maximize their market share through innovative advertising campaigns. 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, could be a major threat to the Company in the form of increased imports. Though there have been no significant increase in supplies to the South, this could continue to be a factor in pricing and margins.

**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.

In European Union, phasing out of mercury cell technology has been mandated and so many old chlor alkali plants are being shut down resulting in curtailed supplies. This brought down the otherwise higher imports into India and so the Company could increase its production to optimum levels and earn better margins. This trend is expected to continue atleast for a year, till the new plants come up in the EU and other places.

As explained earlier, Caustic manufacturing is highly power intensive and so the ever increasing cost of power is limiting the ability of the domestic producers to face competition from overseas producers. Further, due to erratic weather conditions, salt prices are unpredictable, which further affects the viability of the domestic products.

## OUTLOOK

### LAB

TPL has established itself as a major player in the LAB market, despite stiff competition from overseas suppliers. Through exemplary services TPL has managed to keep the customer base intact over the years. TPL has been able to sustain its market share across India with a predominant role in southern part of India. Demand for detergents is expected to go up in the coming years with more rural and semi-urban households moving to higher use of detergents which would help the Company in further improving its LAB business.

Having stabilized the first phase of the Normal Paraffin (NP) debottlenecking project during the year under review, the next phase of the project would be taken up during 2018-19 and would be made fully operational in 2019-20. With the demand for LAB looking up, options to further increase the existing capacity and/or look at setting up new facilities in other locations including overseas are also explored.

During the year, Anti-Dumping Duty (ADD) was imposed on import of LAB from China, Qatar and Iran which is expected to provide the domestic LAB manufacturers a level playing field. However the import volumes from Saudi Arabia are still a concern though it is not expected to have any significant impact in South India as they mainly come to the west coast.

### Caustic Soda / Chlor alkali

As explained earlier, the EU moving out of mercury cell technology is expected to sustain the demand-supply mismatch for a year or two, curtailing the imports into India. During this period, the Company would strive to regain its position in the market and enlarge the customer base.

Sustenance and growth of the Caustic Soda business depends on the opportunities for Chlorine disposal. Since there are no major projects in Chlorine-consuming downstream industry the domestic players have to explore other options. As regards TPL, once the new Propylene Oxide facility is commissioned, the prospects for further in-house consumption of chlorine would open-up paving way for higher caustic manufacture. Also the Company has recommended supply of chlorine in cylinders, which would further expand the chlorine disposal.

## CONVERSION OF ECH FACILITY TO PRODUCE PROPYLENE OXIDE

The ECH facility had to be shutdown due to huge losses and remained dormant since April 2013. As reported in the previous year, the Company is implementing the project for conversion of the dormant facilities to produce Propylene Oxide which is the raw material for manufacture of petrochemical derivatives such as Propylene Glycol and Polyol. It may be noted that TPL will be the second producer of PO in the country. To start with the Company has made arrangements for sale of the entire quantity of PO to be produced, but in future options for setting up derivative plants would also be looked at.

The project is expected to be operational during the year 2018-19 upon which the caustic production would also be augmented for optimizing the earnings of the Company.

## RISKS, CONCERNS AND RISK MANAGEMENT

As explained earlier, import of LAB, Caustic Soda and Chlorine in indirect form into the country continues to be a major risk faced by TPL. Though the Company, along with the other domestic players, succeeded in imposing Anti-Dumping Duty on LAB imports from China, so far no major impact has been seen in the pricing. Thus product pricing and pressure on margins would be the major issues to be tackled by the Company to sustain and grow its operations.

At present the Company's in-house Normal Paraffin capacity is not adequate to meet the entire requirement of the LAB plant and so the uncertainty emanating from the normal paraffin imports is another major risk faced by the Company. However, this has been mitigated to some extent through completion of the first phase of the debottlenecking of the NP plant and further relief is expected once the 2<sup>nd</sup> phase is also completed.

The inconsistent Total Normal Paraffin (TNP) content in Kerosene and issues faced by refineries in evacuation of kerosene due to fall in consumption of PDS kerosene across the Country could affect the feed-stock availability and so would be a concern in future.

The additional commitment arising from renewable energy purchase obligation could further increase the power cost, impacting the profitability of the chlor alkali division.

Apart from the above, petitions have been filed against the marine disposal of the treated effluent before the National Green Tribunal, which are defended by the Company. It may be noted that the Company is complying with all the parameters fixed for such disposal and so is confident of facing the challenges in this regard.

## RISK MANAGEMENT PROCESS

The Company has a structured methodology to effectively monitor and manage the risks by setting up two employee level and one Board level committees to identify the risks, suggest, mitigation actions and monitor implementation. The employee-level sub-committee comprise of senior personnel from each function and the Apex Committee is headed by the WTD (Operations) with functional heads as other Members.

As on 31<sup>st</sup> March 2018 the Risk Management Committee of the Board comprised Ms. Sashikala Srikanth as the Chairperson, and Mr. D Senthikumar, as Member. During the year the Committee met four times viz. 16<sup>th</sup> May 2017, 5<sup>th</sup> September 2017, 6<sup>th</sup> December 2017 and 6<sup>th</sup> February 2018.

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.

## SAFETY, HEALTH & ENVIRONMENT

Adequate safety standards have been prescribed and being followed by the Company without any compromise. Prime importance is given to protection of the employees, plant and machinery and environment at all times. National Safety Day was celebrated as a month long event with a great spirit to enhance awareness amongst the employees and contractors. As part of this celebrations various competitions were conducted for employees and other stakeholders to reiterate our commitment towards safety. Safety Exhibition was organised and all safety & fire equipment, demo on 'Fire Safety', 'Chemical protective suit' and 'Sprinkler system' were displayed.

World Environment Day is also celebrated every year and tree plantation programs are organized for planting saplings towards green initiative to promote carbon offset.

## 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 salient features of financial and other information have been furnished in the Consolidated Financial Statement (CFS) attached to this Report.

### Certus Investment and Trading Ltd

Certus Investment and Trading Ltd. (CITL), Mauritius was promoted as a Special Purpose Vehicle (SPV) to set up LAB and NP projects in the Middle East and South East Asia. However, due to changed business environment, the projects could not be taken up. At present the WOS is not carrying on any major activity, though options for setting up LAB Plants abroad are being explored.

### Certus Investment and Trading Singapore Private Limited

In the past TPL was exporting a large quantity of LAB and also importing various materials, such as NP, Benzene, etc. Therefore

CITL, Mauritius set up CITL Singapore as a WOS in order to function as a coordinator for TPL's overseas procurement and marketing activities. At present there are no significant exports or imports and so the above Step Down Subsidiary (SDS) is not engaged in any activities.

### Proteus Petrochemical Private Ltd.

Proteus Petrochemical Private Ltd. (Proteus) is another WOS of CITL formed for setting up a Normal Paraffin (NP) plant in Singapore. The proposal was to establish a green-field NP project plant along with associated utilities and off-sites. However after initial engineering, the project encountered certain problems and so the implementation could not commence. At present the SDS is not carrying on any activities.

## 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 2018 was 367.

### 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.

### Related Party Transactions

During the year under review, there were no transactions not at arms' length within the meaning of Section 188 of the Companies Act, 2013 ("the Act") or any material transactions with the related parties 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/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.

### Board of Directors and related disclosures

As at the year end, the Board comprised of ten directors of whom five were 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 four 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/>.

The following changes took place in the constitution of the Board since the last Annual General Meeting (AGM)

- Mr T K Arun (DIN: 02163427) and Mr R. Karthikeyan (DIN: 00824621) nominees of TIDCO resigned on 9<sup>th</sup> November 2017 and 3<sup>rd</sup> January 2018 respectively.
- Mr. Ramesh Chand Meena, IAS (DIN: 08009394) was appointed as an Additional Director of the Company representing TIDCO on 16<sup>th</sup> January 2018 and holds office till the ensuing AGM.
- Mr. Atulya Misra, IAS (DIN: 02210369) resigned as Chairman and Director effective 2<sup>nd</sup> February 2018.
- Mr. K Gnanadesikan, IAS (DIN: 00111798) was appointed as an Additional Director and Chairman effective 6<sup>th</sup> February 2018 and holds office till the ensuing AGM
- Mr. Kulbir Singh (DIN: 00204829) vacated office effective from 17<sup>th</sup> November 2017 due to operation of law.
- Mr. S Visakan, IAS, (DIN: 06578414) was appointed as an Additional Director of the Company representing TIDCO on 5<sup>th</sup> June 2018 and holds office till the ensuing AGM.

The Board wishes to place on record its appreciation to Mr. Atulya Misra, IAS, Mr T K Arun, Mr Kulbir Singh and Mr R Karthikeyan for their services during their tenure as Directors of the Company.

Proposals have been received for the appointment of Mr. Ramesh Chand Meena, IAS, Mr. K Gnanadesikan, IAS and Mr. S Visakan, IAS as Directors under Sec.160 of the Act at the ensuing AGM. Since their appointments have been recommended by the Nomination and Remuneration Committee, there is no requirement of security deposit for the above proposals. Proposal for approving the increased remuneration to Mr. D Senthikumar, the Whole-time Director (Operations) would be considered at the ensuing AGM for consideration and approval of the Members.

Ms. K Priya was appointed as the Company Secretary in the place of Mr. D. Hem Senthil Raj from 25<sup>th</sup> September 2017.

In accordance with the provisions of the Act and Articles of Association of the Company, Mr. Ashwin C Muthiah, Director retires by rotation and being eligible offers himself for re-election at the ensuing Annual General Meeting of the Company.

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

The performance of the Board was evaluated taking the following aspects into account viz., Structure, Meetings, Functions, Risk Evaluation process adopted, grievance redressal mechanism, stakeholder value and responsibility corporate culture, ethics and other matters. Board also took into account facilitation of 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 carried out based on their assigned roles and responsibilities. As regards the other Directors, including the independent directors, the evaluation was carried out 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 behavior, participation in the risk evaluation process, resolving conflict of interests, attendance and preparation of 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 at which the Directors evaluated the performance of the Non Independent Directors, the Chairman and also the adequacy of flow of information to the Board and Committees. No adverse comments have been made by the Independent Directors from the evaluation.

#### **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 2018, 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, 2018 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 Secretarial Auditors regarding compliance with the requirements of Corporate Governance is given in **Annexure – I** to this report.

#### **Auditors**

M/s. R.G.N. Price & Co., Chartered Accountants, Chennai having Firm Registration No. 002785S was appointed as the auditors of the Company. As per the extant provisions of the Act, they will hold office for a period of five years till the conclusion of 37<sup>th</sup> AGM to be held in the year 2022. The Audit Committee has recommended a remuneration of ₹ 20.00 lakh plus reimbursement of out of pocket expenses and applicable taxes for the audit of the accounts and all other related services as the Auditors of the Company for the year 2018-19 for approval of the Members at the ensuing 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 Report does not contain any qualification but a mention has been made about the Company's view on transfer of shares to IEPF under Section 124 of the Act. The Auditor also pointed out that there was a delay in remitting the unclaimed dividend for the year 2009-10.

Since no dividend was declared for five out of the consecutive seven years, it has been advised that the requirement to transfer of shares to IEPF under Section 124(6) of the Act is not applicable to the Company. The delay in transfer of unclaimed dividend to IEPF is attributable to the delay by the Bank in furnishing the requisite details of the dividend account for reconciliation and also in effecting the transfer. The Company has complied with the requirements of all the applicable Secretarial Standards.

## Cost Audit

Pursuant to the provisions of Section 148 of the Act, the Board appointed M/s. Krishnaswamy & Co, Cost Accountants, the Cost Auditors of the Company for conducting the audit of cost records for the financial year 2017-18 on a remuneration of ₹ 2.00 lakh plus applicable taxes and reimbursement of out of pocket expenses. The Cost Auditor holds office till 27<sup>th</sup> September 2018 or submission of his report for the year 2017-18, whichever is earlier.

As required under Section 148 of the Act, read with the relevant Rules, ratification of the remuneration to the Cost Auditor for the year 2017-18 will be considered by the Members at the ensuing AGM of the Company.

## 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. To ensure effective operation of the system, periodical reviews are made by the Internal Auditors and their findings discussed by the Audit Committee and with the Auditors. The Auditors of the Company have also furnished certificates in this regard, which are attached to their Reports.

## 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** to this Report.

## Extract of Annual Return

The extract of the Annual Return in Form MGT-9 is given in **Annexure IV** to this Report.

## Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place a Committee for looking after the compliance under the provisions of Sexual Harassment at the Workplace Act and Rules 2013. During the year under review, there were no cases filed under the above Act.

## 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

**D Senthikumar**

DIN: 00202578

Wholtime Director (Operations)

**KT Vijayagopal**

DIN: 02341353

Wholtime Director (Finance)

5<sup>th</sup> June 2018

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 2018.

#### 2. Board of Directors :

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

As on 31<sup>st</sup> March 2018, the Board comprised of ten directors as detailed below:

Name	Membership	
	Other Boards	Other Board Committees
<b>NON INDEPENDENT</b>		
<b>NON EXECUTIVE</b>		
Mr K Gnanadesikan IAS Chairman (Nominee of TIDCO)	8 (6)	-
Mr Ashwin C Muthiah, Vice Chairman (Nominee of SPIC)	3 (3)	2(1)
Mr Ramesh Chand Meena IAS (Nominee of TIDCO)	10	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	4(2)
Mr N R Krishnan IAS (Retd)	7	5 (2)
Mr Dhananjay N Mungale	6	9 (3)
Dr K U Mada	1	2 (1)
Ms Sashikala Srikanth	6	6(2)

Notes:

- (a) Other Directorships exclude 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 in which the Director is Chairman.
- (d) Dr K U Mada holds 3500 equity shares and Mr K T Vijayagopal holds 200 equity shares in the Company. None of the other directors hold any shares in 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://tnpetro.com/corporate-governance-policies/>).
- (g) Changes in the composition of the Board during the year are furnished in the Directors' Report.



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

The Board of Directors met four times during the year 2017-18 viz., on 16<sup>th</sup> May, 2017, 5<sup>th</sup> September, 2017, 6<sup>th</sup> December, 2017 and 6<sup>th</sup> February, 2018.

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 Atulya Misra IAS	Upto: 02.02.2018	3	1	Yes
Mr K Gnanadesikan IAS	From: 06.02.2018	1	1	NA
Mr Ashwin C Muthiah	Full Year	4	4	Yes
Mr. Ramesh Chand Meena IAS	From:16.01.2018	1	1	NA
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	2	Yes
Dr K U Mada	Full Year	4	4	Yes
Mr Kulbir Singh	Upto:17.11.2017	2	2	Yes
Ms Sashikala Srikanth	Full Year	4	4	Yes
Mr T K Arun	Upto: 09.11.2017	2	2	Yes
Mr R Karthikeyan	Upto: 03.01.2018	3	3	Yes
Mr K T Vijayagopal	Full Year	4	4	Yes
Mr D Senthikumar	Full Year	4	4	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 are aligned to the requirements of the Companies Act, 2013 (the Act) and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the Regulations).

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

The Committee met four times during the year 2017-18 viz. 16<sup>th</sup> May, 2017, 5<sup>th</sup> September, 2017, 6<sup>th</sup> December, 2017 & 6<sup>th</sup> February, 2018. The Company Secretary is the Secretary to the Committee. Details of the composition of the Committee and attendance of Members during the year are as follows:

Name	Period of Office held during the year	No. of Meetings during the period of his office	
		Held	Attended
Mr C Ramachandran IAS (Retd.)	Full Year	4	3
Mr N R Krishnan IAS (Retd)	Full Year	4	4
Dr K U Mada	Full Year	4	4
Mr T K Arun	Upto: 09.11.2017	2	2
Mr R Karthikeyan	From 06.12.2017 to 03.01.2018	NIL	NIL

**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. 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.

(ii) **Meeting and Attendance**

The Committee met three times during the year 2017-18 viz., 16<sup>th</sup> May, 2017, 5<sup>th</sup> September, 2017 and 6<sup>th</sup> February, 2018. The Company Secretary is the Secretary to the Committee. Details of the composition of the Committee and attendance of Members during the year are as follows:

Name	Period of Office held during the year	No. of Meetings during the period of his office	
		Held	Attended
Mr C Ramachandran IAS (Retd)	Full Year	3	2
Mr N R Krishnan IAS (Retd)	Full Year	3	3
Mr Ashwin C Muthiah	Full Year	3	3
Mr T K Arun	Upto: 09.11.2017	2	2
Mr R Karthikeyan	From 06.12.2017 to 03.01.2018	NIL	NIL

(iii) **Performance evaluation criteria for Independent 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.

**5. Remuneration to Directors**

i. Remuneration policy and criteria for making payments to Non-Executive Directors:

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:

a 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 Nomination and Remuneration Committee (NRC) and subsequently approved by the Board of Directors and Members. Performance Linked Pay shall be payable based on the performance of the individual and the Company during the year. 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.

b For Non-Executive Directors

The Non-Executive Directors are 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.

ii. None of the non-executive directors had any pecuniary relationship with the Company other than receipt of sitting fees:

iii. Details of Remuneration paid to Executive Directors

a Remuneration paid to Executive Directors for the year 2017-18 are as shown below: ₹ in Lakh

Sl. No.	Description	Mr D Senthikumar Whole-Time Director (Operations)	Mr K T Vijayagopal Whole-Time Director (Finance ) & CFO
01	Salary & Allowances	27.24	49.80
02	Performance Linked Pay	10.00	11.88
03	Perquisites	00.41	0.43
	<b>Total</b>	<b>37.65</b>	<b>62.11</b>