



# **TAMILNADU PETROPRODUCTS LIMITED**

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**34<sup>TH</sup> ANNUAL REPORT  
2018-19**

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#### Board of Directors\*

N. Muruganandam, IAS	DIN:00540135	Chairman
Ashwin C Muthiah	DIN:00255679	Vice Chairman
Dhananjay N Mungale	DIN:00007563	Independent Director
Sashikala Srikanth	DIN:01678374	Independent Director
Dr. N. Sundaradevan, IAS (Retd)	DIN:00223399	Independent Director
Lt. Col. (Retd.) C S Shankar	DIN:08397818	Independent Director
G D Sharma	DIN:08060285	Independent Director
Debendranath Sarangi, IAS (Retd)	DIN:01408349	Independent Director
Ramesh Chand Meena, IAS	DIN:08009394	Director
Dr. Aneesh Sekhar. S, IAS	DIN:07887010	Director
D Senthikumar	DIN:00202578	Wholetime Director (Operations)
KT Vijayagopal	DIN:02341353	Wholetime Director (Finance) & CFO

\* As on 21<sup>st</sup> May 2019

#### Company Secretary

K Priya

#### Registered Office & Factory

Manali Express Highway  
Manali, Chennai – 600 068  
Telefax: 044-25945588  
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

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

#### Secretarial Auditor

B Chandra  
Company Secretaries,  
AG3, Navin's Ragamalika,  
26, Kumaran Colony Main Road,  
Vadapalani, Chennai – 600 026.

#### Internal Auditors

Sundar Srinu & Sridhar  
Chartered Accountants,  
1<sup>st</sup> Floor, New No: 9 Rajamannar Street  
T Nagar, Chennai – 600 017

#### Bankers

IDBI Bank Ltd  
State Bank of India  
The Federal Bank Ltd  
Union Bank of India

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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 Fourth Annual Report together with the Audited Financial Statements for the year ended 31<sup>st</sup> March 2019. The Management Discussion and 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.

### FINANCIAL RESULTS

The Summary of the financial results is as shown below, which has been prepared as per the Indian Accounting Standards (Ind AS) adopted since last year.

(₹ In crore)		
Description	2018-19	2017-18
Earnings Before Interest, Depreciation and Tax	<b>98.53</b>	96.62
Interest	<b>6.85</b>	6.72
Depreciation	<b>20.00</b>	22.22
<b>PBT (before exceptional item)</b>	<b>71.68</b>	67.68
Exceptional Income (Insurance claim)	-	9.22
Tax expenses	<b>17.41</b>	25.20
<b>Profit After Tax</b>	<b>54.27</b>	51.70

### HIGHLIGHTS OF OPERATIONS

During the year under review revenue from operations was ₹1245.33 crore Vis a Vis ₹1085.09 crore in the previous year, registering an increase of about 15%. Profit after tax increased by 5% over the previous year. This is mainly on account of the improved performance of both the Linear Alkyl Benzene (LAB) and Chlor Alkali Divisions notwithstanding the LAB Plant shut down for about 21 days in April 2018 for periodical maintenance.

Your Company continued its policy of prudent inventory management, ensuring growth in margins, in spite of variations in the crude prices.

The performance of the Chlor Alkali Division producing Caustic Soda and Chlorine improved and contributed significantly to the bottom-line during the year, mainly on account of increased demand for Caustic Soda, in addition to higher realisations. Improved plant efficiency further contributed to better performance.

Your Company completed the project for conversion of the erstwhile Ephichlorhydrine (ECH) division for manufacture of Propylene Oxide (PO) and the commercial production commenced during the last quarter. With this the ECH facility which was defunct from 2013 has now been put to effective use.

### FINANCIAL REVIEW

Your Company has availed working capital facilities which are used judiciously, achieving reduction in finance costs. There are no long term debts and all the capex requirements are met from internal accruals.

Based on the improved performance, CARE the credit rating agency has improved your Company's credit rating to CARE BBB+ (plus) with outlook stable from BBB for long-term bank facilities upto ₹56 crore and CARE BBB+ Outlook Stable / CARE A3+ from BBB Stable / CARE A3 for Long/short-term bank facilities upto ₹63 crore.

### DIVIDEND

Your Directors have recommended a dividend of 10% i.e. ₹1.00 per equity share of ₹10/- each fully paid up, for the year 2018-19, aggregating to ₹8.97 crore, excluding dividend distribution tax.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Linear Alkyl Benzene (LAB), also known as detergent alkylate, belongs to the family of organic compounds. LAB is used as a chemical intermediate to form Linear Alkylbenzene Sulfonate (LAS), which is used as surfactant in detergents and cleaning products. LAB 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, and laundry powders, industrial and household cleaners. LAB also has a very minor presence in a few other applications like emulsions polymerisation, wetting agents, ink solvents, cable oil, etc.

Detergent industry is expected to grow at a faster 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 producers 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 measure. However, in the recent years, the industry is facing stiff competition from imports mainly from China and Middle East due to globalisation and changed import regulations.

Worldwide, more than 95% of all the LAB manufacturers including TPL have adopted the UOP Technology, which is considered as superior and the most cost-effective technology than the only other chlorination technology. In spite of this, in India, because of high cost of key inputs and feedstock quality, the cost of production of LAB is relatively higher than International Standards.

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

Caustic Soda, a most commonly used industrial chemical, finds wide applications in textile, pulp and paper, aluminium and soaps and detergents industries. The annual increase in demand is expected to be around 5%. In spite of power intensive process, the national level capacity utilisation is about 85% of the aggregate capacity of around 4.0 million tons. During the year under review,

caustic imports came down by about 38% compared to previous year. The capacities across Europe and other countries have come down on account of the change in process mandated by the Governments. Thus 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 utilisation projects are major impediments for disposal of chlorine which in turn restricts the caustic production.

Propylene Oxide is an organic, volatile, flammable, colorless liquid compound which is soluble in both ether and alcohol. It is mainly used as the feedstock for various derivative products such as propylene glycol, polyols and other industrial intermediates. It is a chiral epoxide, although it is commonly used as a mixture. The global propylene oxide market is expected to grow at a CAGR of 6.2% during the period 2018-2022. Your Company is only the 2<sup>nd</sup> manufacturer of PO in India and uses the Hydrochlorination route, which helps in captive consumption of the Chlorine and thus provides a good opportunity to improve the production of caustic soda.

## OPPORTUNITIES AND THREATS

Growing preference for bio-based surfactants, awareness pertaining to hygiene are set to boost the demand for detergents & cleaners and thus positively impact the Linear Alkyl Benzene market for surfactant application. Rapid industrialisation and urbanisation due to increasing population are also expected to contribute to the market growth. The global market for Linear Alkyl Benzene is lucrative and is expected to witness a steady growth owing to the expansion, collaborations or partnerships strategies adopted by key players.

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 maximise 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 as a major percentage of production is likely to flow into India. 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 urbanisation and larger spending on personal effects, the market for Caustic Soda is expected to grow further.

Higher cost of power, which is the major input for caustic production and highly unpredictable salt prices due to erratic climatic conditions affect the ability of your Company to face the competition from imports. However, in the European Union, phasing out of mercury cell technology has been mandated and hence many old Chlor Alkali plants are being shut down resulting

in curtailed supplies. This has brought down the otherwise higher imports into India and hence the Company could increase its production to optimum levels and earn better margins. The effect is likely to be seen during the first half of the coming year. Also, as it has been insisted that caustic sold in India is to be BIS certified, this has curtailed some of the imports from other Countries. This trend is expected to continue at least for one more year, as the international producers are in the process of getting certification.

As stated earlier, your Company has converted the erstwhile ECH facility which was closed down due to continued huge losses. This has proved to be gainful in many ways – besides beneficial use of a defunct facility, a new avenue has been opened up for advantageous use of chlorine which in turn has paved way for higher capacity utilisation of the Chlor Alkalis Division. Also your Company has added a different product to its portfolio, which is expected to uncover further opportunities. The unit is highly water intensive and the acute water shortage in Chennai due to failure of monsoon in the last two years is a threat to operate the plant at full capacity.

## OUTLOOK

### LAB

Improved awareness about hygiene and the focus on cleanliness during the past few years has improved the demand for surfactants and detergents. The trend is expected to continue in the coming years as the government's attention in the interim budget for FY 2019-20 has been more on the rural economy and improving the economic condition of the agricultural sector.

Despite stiff competition from overseas suppliers, TPL continues to sustain its position as a major player in the LAB market. TPL over the past three decades has established itself as a reliable supplier of LAB to major companies. TPL has been able to sustain its market share across India with a dominant presence in the southern part of India.

With the demand for LAB looking up, options to further increase the existing capacity and/ or setting up new facilities in other locations including overseas are also being explored.

The continuing of Anti-Dumping Duty (ADD) on LAB from specific Countries has not made any big impact in the LAB price. The import from Saudi Arabia continues to be an area of concern though it is not expected to have any significant impact in South India where your Company is the market leader.

### CAUSTIC SODA /CHLOR ALKALI

The fall in import of Caustic Soda into India is expected to be sustained for some more time as the old plants have been shut down and it may take a while for the new capacities to come up. Your Company would utilise the opportunity to reap the benefits. Sustenance and growth of the Caustic Soda business depends on the opportunities for Chlorine disposal. As explained earlier the new PO Plant has provided an additional opportunity to your Company to dispose of Chlorine more beneficially and so the scope for higher caustic production has improved substantially.

### PROPYLENE OXIDE

The much awaited conversion of ECH facility to produce Propylene Oxide was commissioned in the year 2018 -19 and has in place arrangements for sale of the entire production. While there would be no problem in sale of the product, as mentioned earlier achieving higher production would be dependant on the water availability.

## RISK MANAGEMENT PROCESS

Your 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 has senior personnel from each function and the Apex Committee is headed by the WTD (Operations) with functional heads as other Members.

As part of the risk mitigation process, the Board has constituted a Risk Management Committee of Directors, which comprised of Ms. Sashikala Srikanth as the Chairperson, Mr. S Visakan, IAS and Mr. D Senthikumar, as Members. During the year the Committee met four times viz. 14<sup>th</sup> May 2018, 10<sup>th</sup> August 2018, 24<sup>th</sup> October 2018 and 12<sup>th</sup> February 2019. As required under Section 177 of the Act, the Audit Committee also reviews the risk management process periodically.

## RISKS AND CONCERNS

As explained earlier, import of LAB, Caustic Soda and Chlorine (in indirect form) into the country continues to be the major risk faced by TPL. Though your Company, together with other major domestic producers of LAB, got Anti-Dumping Duty levied on supplies from select countries, this has had no impact as the overseas suppliers bear the cost in the form of additional discount or supply at adjusted prices.

A large LAB manufacturing unit with annual capacity of 1.20 lakh tons is coming up in Saudi Arabia which is expected to be on stream in the year 2020, and market seeding has already commenced for the same. This is expected to further intensify the competition in the domestic market.

While caustic imports have reduced in the recent past due to reasons explained earlier, the importers are taking actions to comply with the new requirements and hence there is a possibility that the imports could rebound shortly. Since import in large volumes would affect product pricing, tackling the risk of lower margins would be an important issue to be resolved.

In order to overcome the above, your Company is focussing on higher production and productivity so that the per unit cost is under control, providing flexibility in product pricing. Further the dependency on spot markets is also being reduced so that committed volumes are in place.

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

## SAFETY, HEALTH & ENVIRONMENT

Adequate safety standards have been prescribed and being followed by your Company without any compromise. Utmost importance is given to protection of the employees, assets and environment at all times. It may be noted that the new PO plant was commissioned safely without any untoward incident.

Your Company has implemented 'Ban on one time use & throwaway plastic rule' in letter and spirit and the directives of the Government are complied with strictly to achieve "plastic free TPL". Your Company also conducted awareness training to sensitise the employees about the evils of plastic and the need to adhere to the requirements in the larger interest of the society.

National Safety Day was celebrated as a month long event with great spirit to enhance awareness amongst the employees and contractors. As part of this various competitions were conducted for employees and other contractors to reiterate our commitment towards safety. Safety Exhibition was organised and all safety & fire equipment and 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 organised 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. Since your Company is in the process of enhancing the NP capacity in phases to meet the entire requirement in-house, there may not be scope for taking up NP project. However, it is being explored if proposals for setting up or acquiring LAB Plants overseas could be taken up for supplies to the units of the existing MNC majors to whom your Company is supplying LAB in India.

### Certus Investment and Trading Singapore Private Ltd.

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 SDS is not engaged in any activities.

**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.

As explained above, the subsidiaries were floated several years ago for specific purposes. Due to change in circumstances and also opportunities opening up in India, it is being examined if other opportunities would be available for the subsidiaries. A decision on the usefulness of these subsidiaries would be taken in due course, after judiciously reviewing the situation.

## HUMAN RESOURCES

Your Company strongly believes that its strength is directly proportional to the strength of its employees in terms of knowledge, experience, and decision making skills. Your Company has been practicing various HR initiatives such as recognition, empowerment, personality development, decentralisation, delegation of powers etc., to retain talent and to enhance capabilities. A balanced staffing system has been adopted in your

Company wherein competent fresh talent 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 2019 was 437.

#### **Details of Significant Changes in Key Financial Ratios**

The Inventory Turnover ratio was better by 28% as compared to the previous financial year. The positive variance is on account of effective inventory management and improved sales performance.

#### **Details of change in Return on Net Worth**

Return on Networth was 15% for 2017-18 and 14% for 2018-19.

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

Information on loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 forms part of the Notes to Financial Statements.

#### **Fixed Deposits**

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

#### **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/>.

As required under Regulation 23(2) of the Listing Regulations, approval of the Members will be obtained for transactions upto ₹200 crore in 2019-20 with Manali Petrochemicals Limited at the ensuing AGM.

#### **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, your 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 on the date of this Report 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 Regulation 25(8) of the Listing Regulations. As per the said declarations they meet

the criteria of independence as provided in Section 149 (6) of the Act and the Listing Regulations.

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

The Board has approved the Remuneration Policy as recommended by the Nomination and Remuneration Committee (NRC) which inter alia contains the criteria for determining the positive attributes and independence of a director as formulated by the NRC. The policy on remuneration is available in the website of the Company viz., <http://tnpetro.com/corporate-governance-policies/>.

There has been no change in the Key Managerial Personnel since the last Annual General Meeting.

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

- Dr. N. Sundaradevan, IAS (Retd), (DIN: 00223399), Lt. Col. (Retd.) C S Shankar, (DIN: 08397818), Mr. G D Sharma (DIN: 08060265) and Mr. Debendranath Sarangi, IAS (Retd.) (DIN: 01408349) have been appointed as Additional & Independent Directors of the Company for a period of five years, subject to approval of the Members at the ensuing AGM. Dr. Sundaradevan was appointed on 1<sup>st</sup> September 2018, Lt. Col. (Retd.) Shankar and Mr. Sharma effective 1<sup>st</sup> April 2019 and Mr. Sarangi on 21<sup>st</sup> May 2019.
- Mr. D Senthikumar, (DIN: 00202578) Wholetime Director (Operations) and Mr. KT Vijayagopal, (DIN: 02341353) Wholetime Director (Finance) & CFO were re-appointed for a period of 3 years from 12<sup>th</sup> February 2019 and 18<sup>th</sup> February 2019 respectively at the Board Meeting held on 12<sup>th</sup> February 2019.
- Mr K Gnanadesikan, IAS (DIN: 00111798) Mr. S Visakan, IAS (DIN: 06578414), both nominees of TIDCO resigned effective 15<sup>th</sup> March 2019 and 29<sup>th</sup> March 2019 respectively and Board places on record its appreciation for their services during their tenure.
- Mr. N Muruganandam, IAS, (DIN: 00540135) and Dr. Aneesh Sekhar.S, IAS, (DIN: 07887010), nominees of TIDCO have been appointed as Additional Directors effective 25<sup>th</sup> March 2019 and 5<sup>th</sup> April 2019 and they hold office till the ensuing AGM. Proposals for their appointments as Directors would be considered at the ensuing AGM.
- Mr. C Ramachandran, IAS (Retd.,) (DIN: 00050893), Mr. N.R. Krishnan, IAS (Retd.,)(DIN: 00047799), and Dr. K. U. Mada, (DIN: 00011395), Independent Directors of the Company retired on 31<sup>st</sup> March 2019 pursuant to Regulation 17 (1A) of SEBI (LODR) Regulations. Board places on record its appreciation for their invaluable services to the Company and guidance to the Board during their long association of over a decade.
- Mr Dhananjay N Mungale (DIN: 00007563) and Ms. Sashikala Srikanth (DIN: 01678374) would be completing their first term of five years as Independent Directors on 26<sup>th</sup> May 2019 and 11<sup>th</sup> August 2019 respectively. Based on the evaluation of their performance and the recommendation



of the Nomination and Remuneration Committee, the Board views that they can be reappointed for a further term of five years. Accordingly, in terms of Section 149 (10) read with Schedule IV to the Act, proposals for their reappointment as Independent Directors for five years from 27<sup>th</sup> May 2019 and 12<sup>th</sup> August 2019 respectively would be considered at the ensuing AGM.

The appointment of Mr. N Muruganandam, IAS and Dr. Aneesh Sekhar.S, IAS as Directors has been duly recommended by the Nomination and Remuneration Committee. Therefore pursuant to the proviso to Section 160(1) there is no requirement of any deposit for the proposals relating to their appointment and also for appointment of Independent Directors.

Mr. Ramesh Chand Meena, IAS, (DIN: 08009394) retires by rotation and being eligible offers himself for reappointment.

#### **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 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 evaluation.

The performance of each of the Committees was evaluated taking into account the composition, mandate, working procedures, effectiveness, independence and contribution to the Board 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 behavior, participation in the risk evaluation process, resolving conflict of interests, attendance and preparation for 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 IV to the Act and also 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.

#### **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 2019, 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, 2019 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 ₹30 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 each year until end of their present term 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 contains a mention about the Company's view on transfer of shares to IEPF Authority under Section 124 of the Act. The Company has been advised that the transfer of shares to the IEPF Authority is required consequent to non-payment/non-claiming of dividend in terms of Section 124(6) for a consecutive period of seven years or more and so there necessarily has to be declaration of dividend, in the first instance and also that there has to be 7 such consecutive instances. In the case of TPL, there has been no consecutive declaration/payment of dividend for seven years and hence it has been viewed that the requirements of Section 124 (6) are not applicable to your Company. The legal opinion has however pointed out that the Circulars issued by the Ministry of Corporate Affairs have created certain ambiguity in the matter. Though the Circulars have to be read in a manner that sub-serves the statutory provision they cannot override or dilute the same. Your Company

has been advised to seek clarification from the MCA and take further action based on its directions. Accordingly your Company would be taking steps to seek clarification from the Ministry in this regard.

Your Company has complied with the requirements of all the applicable Secretarial Standards.

#### **Maintenance of Cost Records & Cost Audit**

Your Company is required to maintain cost records as specified by the Central Government under Section 148 (1) of the Act which is duly complied with by your Company. Your Company is also covered under Cost Audit.

M/s. M. Krishnaswamy & Associates, Cost Accountants, have been appointed as the Cost Auditors of the Company for conducting the audit of cost records for the financial year 2018-19 on a remuneration of ₹2.50 lakh plus applicable taxes and reimbursement of out of pocket expenses and they will hold office till submission of their Report or 30<sup>th</sup> September 2019, 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 2018-19 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 are 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 and form part of this Report.

#### **Extract of Annual Return**

The extract of the Annual Return in Form MGT-9 is given in Annexure IV

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

Your Company has constituted Internal complaints Committees under the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the year under review, there were no cases filed pursuant to 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 is 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 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)

21<sup>st</sup> May 2019  
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 2019.

### 2. Board of Directors :

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

As on 31<sup>st</sup> March 2019, the Board comprised of eleven Directors as detailed below:

Category/Name	Other Listed Companies of which he / she is a Director and category	Other Memberships	
		Boards	Committees
Non Executive, Non Independent (NENI)			
Mr N Muruganandam IAS Chairman (Nominee of TIDCO)	Tamilnadu Newsprint & Papers Limited and Titan Company Limited – (NENI)	7(5)	-
Mr Ashwin C Muthiah Vice Chairman (Nominee of SPIC)	Southern Petrochemical Industries Corporation Limited, Manali Petrochemicals Limited and SICAGEN India Limited – (NENI)	3(3)	1
Mr Ramesh Chand Meena IAS (Nominee of TIDCO)	Titan Company Limited – (NENI)	10(3)	3
Non Executive, Independent (NEID)			
Mr C Ramachandran IAS (Retd)	Tulsyan NEC Limited and Elnet Technologies Limited - (NEID)	7	4(2)
Mr N R Krishnan IAS (Retd)	Ponni Sugars (Erode) Limited, India Cements Capital Limited, Trinetra Cement Limited – (NEID)	5	4(2)
Mr Dhananjay N Mungale	Mahindra CIE Automotive Limited, Chowgule Steamships Limited, Mahindra and Mahindra Financial Services Limited, NOCIL Limited – (NEID)	6	7 (2)
Dr K U Mada	Lupin Limited – (NEID)	1	2 (1)
Ms Sashikala Srikanth	Southern Petrochemical Industries Corporation Limited, Manali Petrochemicals Limited, Mercantile Ventures Limited, SICAGEN India Limited – (NEID)	6	8 (2)
Dr N Sundaradevan IAS (Retd)	The State Trading Corporation of India Limited – (NEID)	5	3
Executive, Non Independent (EID)			
Mr D Senthikumar, Wholetime Director (Nominee of SPIC)	-	-	-
Mr KT Vijayagopal, Wholetime Director (Nominee of SPIC)	-	-	-

#### Notes:

- Other Directorships exclude foreign companies, private limited 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 in companies other than the above. Figures in brackets denote the number of companies/committees of listed companies in which the Director is the Chairperson.
- Dr K U Mada holds 3500 equity shares and Mr KT Vijayagopal holds 200 equity shares in the Company. None of the other Directors hold any shares in the Company.
- None of the Directors have any inter-se relationship
- The details of familiarisation programmes imparted to the Independent Directors are disclosed in the website of the Company at (<http://tnpetro.com/corporate-governance-policies/>).
- 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 five times during the year 2018-19 viz., on 14<sup>th</sup> May 2018, 10<sup>th</sup> August 2018, 24<sup>th</sup> October 2018, 12<sup>th</sup> February 2019 and 25<sup>th</sup> March 2019.

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 K Gnanadesikan IAS	Upto: 15.03.2019	4	2	Yes
Mr N Muruganandam IAS	From: 25.03.2019	1	-	NA
Mr Ashwin C Muthiah	Full Year	5	5	Yes
Mr Ramesh Chand Meena IAS	Full Year	5	5	Yes
Mr C Ramachandran IAS (Retd)	Full Year	5	5	Yes
Mr N R Krishnan IAS (Retd)	Full Year	5	5	Yes
Mr Dhananjay N Mungale	Full Year	5	4	No
Dr K U Mada	Full Year	5	4	Yes
Ms Sashikala Srikanth	Full Year	5	5	Yes
Dr N Sundaradevan IAS (Retd)	From: 01.09.2018	3	2	NA
Mr S Visakan IAS	From: 05.06.2018 Upto: 29.03.2019	4	3	Yes
Mr KT Vijayagopal	Full Year	5	5	Yes
Mr D Senthikumar	Full Year	5	5	Yes

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

(iii) **Chart of Skills / Expertise / Competencies of the Board:**

Major Classification	Sub Classification	Remarks
<b>Industry</b>	Specific Skills	Good knowledge about the Petrochemicals business and industry and the issues specific to the Company.
	Technical	Technical/professional skills and specialist knowledge about the Company, its market, process, operations, etc. (For Executive Directors)
<b>Strategy &amp; Policy</b>	Strategy	Ability to identify and critically assess strategic opportunities and threats to the business. Guiding development of strategies to achieve the overall goals
	Policies	Guidance for development of policies and other parameters within which the Company should operate for better control and management
	Crisis Management	Ability to guide crisis management and provide leadership in hours of need.
<b>Risk &amp; Compliance</b>	Operational	Identification of risks related to each area of operation
	Legal	Monitor the risks and compliances and knowledge of regulatory requirements
	Financial	Experience in accounting and finance, ability to analyse the financial statements presented, assess the viability of various financial proposals, overseas funding arrangements and budgets
<b>Management &amp; Leadership</b>	Executive Management	Handling senior management and monitoring its performance, strategic human resources planning. Experience in industrial relations and organisational change management programmes.
	Leadership	Make decisions and take necessary actions for implementation thereof in the best interest of the organisation. Analyse issues and contribute at board level to solutions
<b>Board Conduct</b>	Contribution	Participate actively in the matters discussed and contribute effectively at the meetings. Help in arriving at unanimous decisions in the event of difference of opinions.
<b>Personal</b>	Qualification	Having formal education and well qualified to possess the skills and competencies outlined above.