



# Board of Directors

(As on 26<sup>th</sup> July 2005)

<b>RAMESHRAM MISHRA, IAS</b>	Chairman
<b>Dr. A.C. MUTHIAH</b>	Vice Chairman
<b>ASHOK KUMAR GUPTA, IAS</b>	Director
<b>M. MALIK FEROUZE KHAN, IAS</b>	Director
<b>S. SUSAI</b>	Director
<b>ASHWIN C. MUTHIAH</b>	Director
<b>BABU K. VERGHESE</b>	Director
<b>C. RAMACHANDRAN</b>	Director
<b>DHANANJAY N. MUNGALÉ</b>	Director
<b>N.R. KRISHNAN</b>	Director
<b>Dr. K.U. MADA</b>	Director
<b>N. RANGACHARY</b>	Director
<b>V. RAMANI</b> (Whole-time Director)	Director & Chief Financial Officer
<b>RM. MUTHUKARUPPAN</b> (Whole-time Director)	Managing Director & Chief Operating Officer
<i>AUDIT COMMITTEE</i>	
<b>C. RAMACHANDRAN</b>	Chairman
<b>S. SUSAI</b>	Member
<b>DHANANJAY N. MUNGALÉ</b>	Member
<b>N.R. KRISHNAN</b>	Member
<b>Dr. K.U. MADA</b>	Member
<b>M.B. GANESH</b>	Secretary

## REGISTERED OFFICE & FACTORY

Manali Express Highway, Manali,  
Chennai - 600 068.  
Tel : 25941501-10 Fax : 25941139  
E-mail : isd@tnpetro.com

## CORPORATE OFFICE

"TPL House", 3<sup>rd</sup> Floor,  
No.3, Cenotaph Road, Teynampet,  
Chennai - 600 018.  
Tel : 24311035 Fax : 24311033

## AUDITORS

A.F. Ferguson & Co.,  
Chartered Accountants,  
No.5, Nandanam Extension, 1<sup>st</sup> Street,  
Nandanam, Chennai - 600 035.

## LEGAL ADVISOR

T. Raghavan,  
No.47, (Old No.25) Mowbrays Road,  
Chennai - 600 018.

## REGIONAL OFFICE

369, KP Thakkar Block,  
Asian Games Village Complex,  
August Kranti Marg, New Delhi - 110 049  
Tel : 011-26491429 Fax : 011-26491430

## BANKERS

State Bank of India  
State Bank of Hyderabad  
State Bank of Bikaner & Jaipur  
State Bank of Patiala  
UTI Bank Ltd.  
Federal Bank Ltd.  
IndusInd Bank Ltd.

## SECRETARIAL DEPARTMENT

Manali Express Highway,  
Manali, Chennai - 600 068.  
Tel : 25940761 (Direct); 25941501-10 Ext.(2388)

## REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Limited  
"Subramanian Building",  
1, Club House Road, Chennai - 600 002.  
(Tel : 28460084 / 28460395) Fax : 28460129

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<b>CONTENTS</b>	<b>Page No.</b>
Notice	4
Directors' Report	10
Management Discussion and Analysis Report	14
Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.	16
Report on Corporate Governance	19
Auditors' Certificate on Corporate Governance	27
Auditors' Report	28
Balance Sheet	32
Profit and Loss Account	33
Cash Flow Statement pursuant to Clause 32 of the Listing Agreement	34
Schedules	36
Notes to the Accounts	43
Statement pursuant to Section 212 of the Companies Act, 1956	54
Consolidated Financial Statement	
a) Auditors' Report	55
b) Consolidated Balance Sheet	56
c) Consolidated Profit and Loss Account	57
d) Consolidated Cash Flow Statement	58
e) Schedules	60
f) Notes to the Consolidated Accounts	66



## OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	2000-01	2001-02	2002-03	2003-04	2004-05
Gross Profit	151.33	164.29	125.22	120.46	<b>83.30</b>
Interest	34.53	37.00	38.13	34.93	<b>26.97</b>
Profit before depreciation	116.80	127.29	87.09	85.53	<b>56.33</b>
Depreciation	42.89	47.46	49.98	47.25	<b>49.82</b>
Exceptional Item	-	(3.00)	(3.00)	(1.92)	<b>0.38</b>
Profit Before Tax	73.91	76.83	34.11	36.36	<b>6.89</b>
Provision for tax	22.50	26.68	11.08	14.15	<b>(4.93)</b>
Profit after tax before Extraordinary Item	51.41	50.15	23.03	22.21	<b>11.82</b>
Extraordinary Item	63.02	-	-	-	-
Profit after Tax	114.43	50.15	23.03	22.21	<b>11.82</b>
Networth	445.48*	372.62*#	382.97*	380.91*®	<b>375.74*§</b>

\* Net of Revaluation Reserve

# During the year 2001-02, Rs.100.51 Crores was transferred to Deferred tax liability.

® During the year 2003-04, Rs.11.59 Crores has been adjusted to general reserve in accordance with Accounting Standard - 26 "Intangible Assets"

§ During the year 2004-05, premium of Rs. 6.74 crores paid on premature redemption of non-convertible debentures has been adjusted against the balance in securities premium account.

## NOTICE FOR THE TWENTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held at 10.30 a.m. on Wednesday the 14th September 2005 at Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade (Near High Court) Chennai - 600 108 to transact the following business:

### Ordinary Business

1. To receive and adopt the audited Balance Sheet as at 31st March 2005 and Profit and Loss Account of the Company for the year ended 31st March 2005 and the Report of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Thiru Ashok Kumar Gupta, IAS, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Thiru Ashwin C Muthiah, who retires by rotation and being eligible offers himself for re-election.
5. To appoint a Director in the place of Thiru N.R. Krishnan, who retires by rotation and being eligible offers himself for re-election.
6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors be and are hereby re-appointed as Statutory Auditors of the Company to hold office until the conclusion of the Twentyfirst Annual General Meeting on such remuneration as may be decided by the Board of Directors plus reimbursement of out of pocket expenses and levies such as service tax etc."

### Special Business

7. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Thiru N. Rangachary, be and is hereby appointed as Director of the Company, liable to retirement by rotation."
8. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Thiru S. Susai, be and is hereby appointed as Director of the Company, liable to retirement by rotation."
9. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Thiru M. Malik Feroze Khan, IAS, be and is hereby appointed as Director of the Company, liable to retirement by rotation."

10. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and other applicable provisions, if any and Schedule XIII of the Companies Act, 1956, the Company hereby approves the payment of enhanced remuneration to Thiru RM. Muthukaruppan, Managing Director & Chief Operating Officer for the period from 1st August 2004 to 3rd February 2007 on the following terms and conditions:

- (1) Salary : Rs.60,000/- per month
- (2) Commission : One percent commission on the net profits of the Company or special allowance not exceeding the total annual salary.
- (3) Perquisites : Perquisites shall be allowed in addition to both salary and commission or special allowance. However, it shall be restricted to an amount equal to the annual salary.

### Minimum Remuneration

In the event of loss, absence or inadequacy of profits, the remuneration aforesaid shall be the minimum remuneration. Any excess over the limits prescribed under the Companies Act, 1956 shall become payable with the approval of the Central Government, wherever so required."

11. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate both present and future [except the DG Sets & Auxiliary equipments in the Chlor Alkali Plant offered on exclusive charge basis to M/s.Rabo India Finance Pvt. Ltd. (RIFPL)], and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the company in certain events, to or in favour of Industrial Development Bank of India (IDBI), Life Insurance Corporation of India (LIC),



Punjab National Bank (PNB) and RIFPL respectively to secure

- (a) Rupee Term Loan of Rs.7500 lacs lent and advanced by IDBI
- (b) Rupee Term Loan of Rs.2500 lacs lent and advanced by LIC
- (c) Rupee Term Loan of Rs.5000 lacs lent and advanced by PNB
- (d) Rupee Term Loan of Rs. 10000 lacs lent and advanced by RIFPL

together with interest thereon at the respective agreed rates, interest, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges and expenses and other monies payable by the Company to IDBI, LIC, PNB and RIFPL under the respective Heads of Agreement/Loan Agreement/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said term loan."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, LIC, PNB and RIFPL, the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for

giving effect to the above resolution."

12. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government, a sum not exceeding 1% of the net profits of the Company for each year, computed in the manner referred to in sub section (1) of Section 198 of the Companies Act, 1956, be paid to and distributed amongst the Directors of the Company [other than Managing / Whole-time Director(s)] in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors, in addition to the sitting fees payable to Directors and such payment shall be made in respect of the profits of the Company for each year of the period of five financial years commencing from 1<sup>st</sup> April 2005."

By Order of the Board  
for TAMILNADU PETROPRODUCTS LIMITED

7th June 2005  
Chennai - 600 068.

M.B. GANESH  
Secretary

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**Notes :**

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a Member of the Company.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolutions set out against Item Nos. 7 to 12 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th August 2005 to 14th September 2005 (both days inclusive).
4. Members are requested to notify immediately any change in their address to the Company/Share Transfer Agents if shares are held in physical mode and to the Depository Participants if shares are held in electronic mode.
5. Dividend on Equity Shares as recommended by the Board of Directors, if declared at the Meeting will be paid to those Shareholders whose names appear in the Register of Members on 14th September 2005.
6. Claims on unclaimed dividend, if any, for the financial years 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03 and 2003-04 shall be made to the Company

or Share Transfer Agents. The shareholders may kindly note that the amounts in the unpaid dividend account relating to the financial year 1998-99 is due for transfer during October 2006 to "Investor Education and Protection Fund" established by the Central Government under Section 205C of the Companies Act, 1956, after which no claims will be permitted by Central Government.

7. Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
8. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays, Sundays and holidays between 8.15 A.M. to 5.00 P.M. upto the date of the Annual General Meeting.
9. The Company's equity shares are listed at The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Ltd., (NSE) & Madras Stock Exchange Limited (MSE) and the listing fees for the year 2005-06 have been paid in time.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to reply.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No.7**

Thiru N. Rangachary, was co-opted as an Independent Director of the Company at the Board Meeting held on 27<sup>th</sup> October 2004. As per Section 260 of the Companies Act, 1956 (the Act), Thiru N. Rangachary shall hold office upto the date of the Twentieth Annual General Meeting. The Company has received Notice under Section 257 of the Act from a Member proposing Thiru N. Rangachary for appointment as Director liable for retirement by rotation along with a Deposit of Rs.500/-. Hence the proposed resolution.

None of the Directors of the Company except Thiru N. Rangachary is interested in the resolution.

### **Item No.8**

The Board of Directors at their meeting held on 7<sup>th</sup> June 2005 co-opted Thiru S. Susai nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) as Director.

As per Section 260 of the Companies Act, 1956 (the Act), he shall hold office upto the date of the Twentieth Annual General Meeting. The Company has received notice under Section 257 of the Act, from TIDCO proposing Thiru S. Susai for appointment as Director liable for retirement by rotation along with a deposit of Rs.500/-. Hence the proposed resolution.

None of the Directors except Tvl. Rameshram Mishra, IAS, Ashok Kumar Gupta, IAS, M. Malik Feroze Khan, IAS and S. Susai are interested in the resolution.

### **Item No.9**

The Board of Directors at their meeting held on 7<sup>th</sup> June 2005 co-opted Thiru M. Malik Feroze Khan, IAS, nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) as Director.

As per Section 260 of the Companies Act, 1956 (the Act), he shall hold office upto the date of the Twentieth Annual General Meeting. The Company has received notice under Section 257 of the Act, from TIDCO proposing Thiru M. Malik Feroze Khan, IAS for appointment as Director liable for retirement by rotation along with a deposit of Rs.500/-. Hence the proposed resolution.

None of the Directors except Tvl. Rameshram Mishra, IAS, Ashok Kumar Gupta, IAS, S. Susai and M. Malik Feroze Khan, IAS, are interested in the resolution.

### **Item No. 10**

The Board of Directors at their Meeting held on 4<sup>th</sup> August 2004 had approved payment of increased remuneration to Thiru RM. Muthukaruppan, Managing Director & Chief Operating Officer, with a basic pay of Rs.60,000/- per month, with effect from 1<sup>st</sup> August 2004

plus commission and perks as detailed in the resolution, subject to approval of shareholders.

Hence the proposed ordinary resolution seeking approval of shareholders.

None of the Directors except Tvl. Rameshram Mishra, IAS, Dr. A.C. Muthiah, Ashwin C Muthiah, Babu K. Verghese, Dr K U Mada, N.R. Krishnan, V. Ramani and RM. Muthukaruppan are interested in the resolution.

### **Item No. 11**

Your Company as part of debt swap has availed a Term Loan of Rs.7500 lacs from Industrial Development Bank of India (IDBI), Rs.2500 lacs from Life Insurance Corporation of India (LIC), Rs.5000 lacs from Punjab National Bank (PNB) and Rs. 10000 lacs from Rabo India Finance Pvt. Ltd. (RIFPL). The aforesaid financial assistance is to be secured by a mortgage / charge on all the immovable and movable properties of the Company both present and future ranking pari passu with the charges created and / or to be created in favour of the existing charge holders subject however to RIFPL having an exclusive charge on DG Sets and Auxiliary equipments in the Chlor Alkali Plant.

Pursuant to Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of a public company shall not, without the consent of Shareholders in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since your Company is mortgaging / charging its movable and immovable properties as aforesaid in favour of IDBI, LIC, PNB and RIFPL, approval of shareholders under Section 293(1)(a) of the Companies Act, 1956, for creation of such mortgages / charges in favour of the abovesaid financial institutions/banks is required.

Hence the proposed resolution.

None of the Directors is interested in the resolution.

### **Item No.12**

The Shareholders at their 16<sup>th</sup> Annual General Meeting held on 11<sup>th</sup> September 2001 approved the proposal of payment of commission to Non Whole-time Directors for a period of 5 years from 2000-01 and Central Government approval was also obtained. Since the validity of the approval expires at the end of the financial year 2004-05, the Board of Directors at their meeting held on 27<sup>th</sup> October 2004 decided to seek approval of the Shareholders and the Central Government for continuing payment of commission for a period of 5 years from the financial year 2005-06.

The Board had taken into consideration the role and responsibility of Directors which had increased consequent to various amendments to the Companies Act, 1956 and



TPL

several changes and stringent conditions being introduced in the revised Corporate Governance Guidelines by SEBI / Stock Exchanges. The Non Whole-time Directors shoulder additional responsibilities spending their valuable time at the Board Meetings and Sub-Committee Meetings offering suggestions and formulating policies / plans for the further growth of the Company. The remuneration payable by way of commission would be within the limits permitted under the Companies Act, 1956.

Hence the proposed Special Resolution.

The Non Whole-time Directors may be deemed to be interested in the resolution.

By Order of the Board  
for TAMILNADU PETROPRODUCTS LIMITED

7th June 2005  
Chennai - 600 068.

M.B. GANESH  
Secretary

**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE APPOINTED / RE-APPOINTED AT 20TH AGM.**

**Item No. 3 of the Notice**

Name: Thiru Ashok Kumar Gupta, IAS, Age: 47 Years Qualification: I.A.S.  
Expertise: Indian Administrative Service.

**OTHER DIRECTORSHIPS:**

S.No.	Name of the Company	Position held
1	Tamilnadu Small Industries Development Corporation	Director
2	Tamilnadu Medical Service Corpn. Ltd.	Director
3	Tamilnadu Minerals Limited	Director
4	Tamilnadu Cements Corporation Limited	Director
5	Tamilnadu Industrial Explosives Limited	Director
6	Tamilnadu Industrial Investment Corpn Ltd.	Director
7	Tamilnadu Police Housing Corporation	Director
8	Tamilnadu Co-operative Milk Producers' Federation Ltd.	Director
9	Tamilnadu Pollution Control Board	Member

**COMMITTEE MEMBERSHIPS: NIL**

**Item No. 4 of the Notice**

Name : Thiru Ashwin C. Muthiah, Age: 39 Years Qualification: B.Com., M.B.A.  
Expertise: Industrialist

**OTHER DIRECTORSHIPS:**

S.No.	Name of the Company	Position held
1	SICAL Yamatake Limited	Chairman
2	SPIC Jel Engineering Construction Ltd.	Chairman
3	The SDB Cisco India Limited	Chairman
4	Vopak Sical Terminal Limited	Chairman
5	PSA Sical Terminals Limited	Vice Chairman
6	SICAL CWT Distriparks Limited	Vice Chairman
7	Southern Petrochemical Industries Corpn. Ltd.	Vice Chairman
8	Technip India Limited	Vice Chairman
9	South India Corporation (Agencies) Ltd.	Deputy Chairman
10	Mitsuba Sical India Ltd.	Director
11	Indo-Jordan Chemicals Company Ltd.	Director
12	ACM Educational Foundation (Sec.25 Co.)	Director
13	ACM Medical Foundation (Sec.25 Co.)	Director
14	MAC Spin Foundation, (Sec.25 Co.)	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Committee Type	Position held
1.	Tamilnadu Petroproducts Ltd.	Share Transfer and Shareholders/ Investors Grievance Committee	Member
2.	Southern Petrochemical Industries Corpn. Ltd.	Managment Committee Remuneration Committee Finance Committee	Chairman Member Member
3.	South India Corpn. (Agencies) Ltd.	Management Committee Audit Committee	Chairman Member

**Item No. 5 of the Notice**

Name: Thiru N.R. Krishnan, Age: 66 Years Qualification: IAS

Expertise: Formerly Secretary to Government of India in the Ministry of Fertilizers.

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Company	Position held
1	Southern Petrochemical Industries Corpn. Ltd.	Director
2	Tamilnadu Road Development Company	Director
3	Gujarat State Fertilizers & Chemicals Ltd.	Director
4	Cognizant Foundation (Sec.25 Co.)	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Committee Type	Position held
1	Tamilnadu Petroproducts Ltd.	Audit Committee	Member
2	Southern Petrochemical Industries Corpn. Ltd.	Shareholders' Grievance Committee Audit Committee Remueration Committee	Chairman Member Member
3.	Tamilnadu Road Development Company	Audit Committee	Member
4.	Gujarat State Fertilizers & Chemicals Ltd.	Audit Committee Remuneration Committee	Chairman Member

**Item No. 7 of the Notice**

Name : Thiru N. Rangachary, Age: 66 Years Qualification : I.R.S.

Expertise: Former Chairman of Insurance Regulatory and Development Authority and also Central Board of Direct Taxes.

**OTHER DIRECTORSHIPS:**

S.No.	Name of the Company	Position held
1	Leo Energy Corporation Limited, Chennai	Director
2	Foundation for Promotion of Indian Industry and Trade, New Delhi-11 (Sec.25 Company)	Director
3	Max India Limited	Director

**COMMITTEE MEMBERSHIPS : NIL**



**Item No. 8 of the Notice**

Name: Thiru S. Susai Age: 54 Years Qualification: B.Com., FCS, MBA

Expertise : Company Secretary. Incharge of certain projects of TIDCO having wide experience in appraisal of projects, promotion / monitoring the implementation of the projects. Also, serving as Nominee Director of TIDCO in Companies promoted / assisted by TIDCO.

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Company	Position held
1	Tamilnadu Telecommunications Ltd.	Director
2	Titan Industries Ltd.	Director
3	Tanflora Infrastructure Park Limited	Director
4	Sree Maruthi Marine Industries Limited	Director
5	Nova Roofings and Pipes Limited	Director
6	Jayamkondam Lignite Power Corporation Limited	Director
7	Arakonam Castings and Forgings Limited	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Committee Type	Position held
1	Tamilnadu Petroproducts Limited	Audit Committee Share Transfer & Shareholders/ Investors Grievance Committee	Member Member
2	Tamilnadu Telecommunications Ltd.	Audit Committee Share Transfer and Grievance Committee	Member Member

**Item No. 9 of the Notice**

Name: Thiru M. Malik Feroze Khan, IAS Age: 51 Years Qualification: IAS

Expertise: Indian Administrative Service

**OTHER DIRECTORSHIPS:**

S.No.	Name of the Company	Position held
1.	Tamilnadu Industrial Explosives Limited	Director
2.	Tamil Nadu Cement Corporation Limited	Director
3.	TANFAC Industries Limited	Director

**COMMITTEE MEMBERSHIPS : NIL**

## DIRECTORS' REPORT

To

### The Shareholders

Your Directors have pleasure in presenting their Twentieth Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2005.

### FINANCIAL RESULTS

	(Rupees in Crores)	
	2004-05	2003-04
Profit before Depreciation and Interest	83.30	120.46
Interest	26.97	34.93
Profit after Interest	56.33	85.53
Depreciation	49.82	47.25
Profit before Tax and Exceptional Items	6.51	38.28
Exceptional Items	0.38	(1.92)
Profit before Tax	6.89	36.36
Provision for Tax	(4.93)	14.15
Profit after Tax	11.82	22.21
Transfer to General Reserve	-	2.00
Balance carried to Balance Sheet	90.16	48.60

### OPERATIONAL HIGHLIGHTS

All the three plants of your Company performed well in capacity utilisation during the year. The Epichlorohydrin (ECH) and Chlor Alkali plants have improved their performance by achieving higher capacity utilization and sales compared to the previous year while the performance of LAB plant was marginally lower. The international price of ECH has been improving and domestic prices are on rising trend. The caustic prices were holding steady with improved margins. However, with respect to LAB, the main contributor to the bottomline, the margins were under pressure.

The trend of rising crude oil prices, which began about two years ago, continues to remain unabated in the current financial year also. The Company uses as raw material, petroleum derivatives, such as kerosene, benzene, fuel oil, propylene, and the raw material prices continued to remain at higher levels during the financial year. Between the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of the current financial year, the increase in prices were unprecedented and the Company

could not pass on the cost to customers. Further, entry of a new player in the domestic market in August 2004 considerably increased the supply. Nonetheless, the LAB exports were comparable to the previous year. ECH exports registered a marginal decline to 3145 MT compared to 3341 MT in the current year due to increased domestic sales.

### FINANCE

The debt restructuring initiatives during the year yielded good results with the reduction in the weighted average cost of term debt to 9.22% from 10.60% in April 2004. Term loans for Rs. 25 crores and Debentures for Rs. 100 crores carrying interest rate of 10.10% & 12% respectively were prepaid by borrowing at lower interest from Industrial Development Bank of India and Punjab National Bank. The management is continuing its efforts to reduce the interest burden through debt swap.

### EXPANSION / PROJECT ACTIVITIES

In December 2004, as a result of power interruption, one of the key equipment in LAB Unit failed (Heater) and production of LAB was affected. The Plant was brought on line within 10 days by the commissioning of an alternate equipment. Thus, the product was available without interruption. The completion of the LAB expansion project slated for 2004-05 has suffered on account of this incident. The commissioning schedule has therefore been shifted. Growth for LAB is projected to be around 6% in the next two years and this augurs well for your Company.

### EXCEPTIONAL ITEM

In compliance with Accounting Standard -13, your Company has provided a sum of Rs. 0.11 crore for the current financial year towards provision for diminution in value of investment. The cumulative provision for such diminution in the value of investment aggregates Rs.1.32 crores. Exceptional item for the year 2004-05 represents write back of provision (net) of Rs.5.68 crores for diminution in value of certain long term investments and loss on sale of investment (net) of Rs.5.30 crores.

### DIVIDEND

Your Directors now recommend payment of a dividend of 10% on the Equity share capital, aggregating Rs. 9 Crores.



## **SAFETY, HEALTH & ENVIRONMENT**

Your Company spared no efforts to ensure safety in the operation of the Plants, promote health and protect the environment. The LAB, ECH and Chlor Alkali plants have achieved 3171, 3650 and 3102 safe days of operation respectively. Your Company has won the following awards in respect of LAB, ECH and Chlor Alkali plants from the Government of Tamilnadu

1. Tamilnadu State Safety Awards for the years 2001 and 2002 for longest accident free period; and
2. Tamilnadu State Safety Awards for the year 2002 for lowest average accident frequency rate.

The health of employees and the environment in and around the plant area have been given due care and attention.

## **RESEARCH & DEVELOPMENT**

Research & Development function has been the company's sustained activity for improving quality of its main products and by-products. Efforts are on towards developing value added products from various side streams and reduction in generation of waste.

## **SUBSIDIARIES**

### **SPIC ELECTRIC POWER CORPORATION (PRIVATE) LTD.**

SPIC Electric Power Corporation (Private) Ltd. (SEPC) in its endeavour to identify a Partner is discussing with certain parties who have shown keen interest to develop and finance the 525 MW Power Project at Tuticorin. Your Company has signed a Memorandum of Understanding with a Spanish company setting out the broad guidelines to proceed further.

### **LEO UTILITY AND POWER LTD.**

Leo Utility and Power Ltd., (LUPL) is exploring the possibility of setting up a Coal/Biomass based Co-generation and Sea Water Desalination project for your Company with a view to reduce energy and utility cost. Action is being taken to obtain necessary clearance.

### **CERTUS INVESTMENT AND TRADING LTD. AND ITS WHOLLY OWNED SUBSIDIARY**

Certus Investment and Trading Ltd. (CITL) along with its wholly owned subsidiary in Singapore are actively working

with Economic Development Board (EDB), Singapore, which offers investors the environment to conduct truly world class operations, besides offering incentives, such as tax holidays, grant for manpower training and R & D. CITL have entered into a Memorandum of Understanding with EDB for setting up LAB (80,000 MTPA) / Normal Paraffin (1,00,000 MTPA) plants in Singapore. CITL and EDB are in discussion on various aspects to ensure the success of the project. Negotiations with potential feedstock suppliers are also in progress.

CITL is also discussing and developing another project to manufacture 80,000 MTs per annum of LAB to be put up in the Yanbu Industrial City, Kingdom of Saudi Arabia. The Saudi Arabian General Investment Authority had issued licence for the project. The Royal Commission of Jubail and Yanbu allotted the required land in Yanbu Industrial City on the western coast of Saudi Arabia. The feedstock negotiation for this project is in the final stages.

A statement pursuant to Section 212 of the Companies Act, 1956 giving information about the subsidiary companies is attached hereto.

In terms of the exemption granted to your Company by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies that are required to be attached to the Balance Sheet of your Company have not been attached. However, the above-mentioned documents/details will be made available upon request by a shareholder interested in obtaining them. The consolidated financial statements presented by your Company include the financial information of its subsidiaries, as per Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India.

The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the Shareholders and the subsidiary company investors who seek such information. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor in the Registered Office and that of the subsidiary company concerned.

## **STATUS OF ACTIVE INVESTMENTS**

### **HENKEL SPIC INDIA LIMITED**

Henkel SPIC India Limited (HSIL) achieved a turnover of Rs.310 crores for the year ended 31st December 2004 compared to Rs.362 crores in the previous year. HSIL posted a net profit of Rs.3.12 crores as against a net profit of Rs.5.02 crores in the previous year and achieved a cash profit of Rs.9.33 crores as against a cash profit of Rs.11.46 crores in the previous year. From July 2004, HSIL is focusing on manufacturing while Henkel Marketing India Ltd. (subsidiary of HSIL) is focusing on marketing and distribution and therefore the financials are not comparable with that of the previous year. The Hon'ble High Court of Madras in April 2005 has approved the merger of HSIL with Henkel India Ltd. (HIL) [formerly The Calcutta Chemical Co.Ltd], a subsidiary of HSIL, with the share exchange ratio of 1:1. The merger provides good scope for optimisation of infrastructure cost and reduction in overhead cost through elimination of co-ordination points, besides bringing in synergies in the manufacturing activities of both the companies.

### **PETRO ARALDITE PVT. LTD.**

Petro Araldite Pvt. Ltd. (PAPL) has turned the corner by improving its overall performance resulting in a net profit of Rs. 12.82 crores (un-audited) for 2004-05 as against a net profit of Rs 0.36 crore during the last year. Consequently, the accumulated losses have come down to Rs. 29.19 crores as against the accumulated loss of Rs. 42.02 crores during the previous year. Your Company has entered into a new ECH supply agreement with PAPL valid for a period of 5 years from April 2004 on terms mutually beneficial.

### **VOPAK SICAL TERMINAL LIMITED**

The Ennore Port Tank Terminal has already been awarded to other contractors. M/s.Vopak Sical Terminal Limited (VSTL) is exploring the possibilities of setting up a storage tank terminal outside the port premises in the proposed common user jetty being developed by Ennore Port.

There are no significant developments in other investments.

### **FIXED DEPOSITS**

The total amount of deposits outstanding as on 31<sup>st</sup> March 2005 was Rs.1.93 lakhs which represents unclaimed deposits only.

## **EMPLOYEES**

In order to effectively meet the future challenges of the Company, plans have been drawn up for developing human resources in the organisation. Further, a major thrust is placed to pursue our Quest for Excellence through structured training programmes for the employees of your Company. The industrial relations during the year were harmonious resulting in high motivational level and good performance.

No employee received remuneration of more than the limit prescribed under Section 217 (2A) of the Companies Act, 1956; hence the details have not been furnished.

## **DIRECTORS**

The changes that had occurred in the composition of the Board of Directors from the date of last Directors' Report are given below:

- a) The Board of Directors on 4<sup>th</sup> August 2004:
  - i) recorded the withdrawal by TIDCO of the nomination of Thiru Arun Ramanathan, IAS, as Director and Chairman. On the same day, Thiru Rameshram Mishra, IAS, nominee of TIDCO was co-opted as Director and appointed as Chairman in the place of Thiru Arun Ramanathan.
  - ii) co-opted Thiru Md. Nasimuddin, IAS, as Director of the Company representing TIDCO in the place of Dr. R. Vijaykumar, IAS.
  - iii) co-opted Thiru S. Ramachandran, IAS, as Director of the Company representing TIDCO in the place of Thiru R. Kuppuswamy, IAS.
  - iv) recorded the withdrawal by TIDCO of the nomination of Thiru P.Baskaradoss, IAS, as Director of the company.
- b) On 27<sup>th</sup> October 2004 Thiru N. Rangachary was co-opted as Independent Director of the Company.
- c) On 19<sup>th</sup> January 2005 Thiru Pradeep Yadav, IAS, was co-opted as Director of the Company representing TIDCO in the place of Thiru Md. Nasimuddin, IAS.
- d) On 7<sup>th</sup> June 2005 Tvl. S.Susai and M. Malik Feroze Khan, IAS, nominees of TIDCO were co-opted as Directors of the Company in the place of Tvl. Pradeep Yadav, IAS, and S.Ramachandran, IAS, respectively.



The Board of Directors wish to place on record their appreciation of the valuable services rendered by Tvl. Arun Ramanathan, IAS, Dr. R Vijaykumar, IAS, R. Kuppaswamy, IAS, P. Baskaradoss, IAS, Md. Nasimuddin, IAS, Pradeep Yadav, IAS, and S.Ramachandran, IAS, during their tenure as Members of the Board.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Tvl Ashok Kumar Gupta, IAS, Ashwin C. Muthiah and N.R. Krishnan will retire by rotation and being eligible offer themselves for re-election.

The term of office of Tvl. N. Rangachary, S.Susai and M.Malik Feroze Khan, IAS, as Directors shall be up to the date of the ensuing Annual General Meeting. Notices in writing pursuant to Section 257 of the Companies Act, 1956, have been received from the Members proposing their candidatures for appointment as Director(s) of the Company.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance with the provisions of Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors hereby confirm that :-

- (i) in preparing the Annual Accounts for the year ended 31<sup>st</sup> March 2005 all the applicable accounting standards have been followed;
- (ii) accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2005 and of the profit or loss of the Company for year ended on that date;
- (iii) 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/detecting fraud and irregularities have been taken; and
- (iv) the Annual Accounts have been prepared on a "going concern" basis.

#### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance with

Auditors' Certificate on compliance with conditions of Corporate Governance and a Management Discussion and Analysis Report have been attached to form part of the Annual Report. Your Company is taking initiatives for compliance with the revised Corporate Governance guidelines which will come into effect from 1<sup>st</sup> January 2006.

#### **AUDITORS**

M/s. A.F. Ferguson & Co., appointed as Statutory Auditors at the 19<sup>th</sup> Annual General Meeting held on 5<sup>th</sup> August 2004, retire at the conclusion of the Twentieth Annual General Meeting and are eligible for re-appointment.

With reference to the comment contained in the Auditors' Report pertaining to SPIC Electric Power Corporation (Private) Ltd. (SEPC), the Board of Directors were convinced that in view of the developments that took place during the year in the implementation of 525 MW power project, no provision was considered necessary at this stage for permanent diminution in the value of investments in SEPC, as explained in Note 22 of Notes to the Accounts.

#### **ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE**

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956, are enclosed as part of the Report.

#### **ACKNOWLEDGEMENT**

The Management is grateful to the Government of India, the Government of Tamilnadu, shareholders, valued customers, the Reserve Bank of India, financial institutions, consortium of banks, other lending institution, insurance companies, promoters, technology suppliers, raw material suppliers, joint venture partners, statutory auditors, cost auditor, contractors, marketing agents and vendors for the continued support and co-operation.

The Directors also wish to place on record their appreciation of the co-operation, understanding of the Corporate goals and active involvement and dedication of all the employees to enable the company to achieve its growth plans.

For and on behalf of the Board of Directors

7<sup>th</sup> June 2005  
Chennai - 600 068.

RAMESHRAM MISHRA  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE

Tamilnadu Petroproducts Limited is manufacturing and marketing petrochemicals, chemical intermediates such as Linear Alkyl Benzene, Epichlorohydrin, Caustic Soda and Chlorine. These products cater to the needs of the industries as basic chemicals and also, serve as intermediates for manufacture of household materials. Chlorine, a co-product of caustic soda, has variety of applications, such as bleaching of paper, chlorination of water, etc.

### LINEAR ALKYL BENZENE (LAB)

LAB is a significant ingredient in the manufacture of synthetic detergents and cleaning products.

During the year 2004-05, the Indian LAB industry witnessed capacity addition to the extent of 30% by the entry of a new player in the market. By this addition, India presently emerged as the second largest producer of LAB in Asia, next only to China.

While the production capacity has increased by 30%, the domestic demand continues to be increasing at 5 to 6%. This has resulted in surplus availability of the product necessitating its sale in the international market despite lower margins. TPL continues to enjoy support with international detergent manufacturers like Unilever, P&G and Henkel. Further, the risk of placing surplus LAB has been mitigated by ensuring that products are placed globally such as Middle East, Far East and Europe. It is expected that the margins will be recovered to normal level as momentum of growth takes place in domestic and international markets.

TPL market development approach is focussed in specific areas to improve overall consumption of LAB. TPL also continues to retain its dominant position in southern part of the country.

### EPICHLOROHYDRIN (ECH)

TPL is the only manufacturer of ECH in India, a major raw material in the manufacture of epoxy resins. ECH is also used in pharmaceuticals and as an ingredient in crop protection products. The product has accreditation in both domestic and international markets due to consistent quality and prompt supplies.

During this year, ECH plant surpassed the installed capacity of 10,000 MTs. With this achievement, the design norms for consumption of raw materials and utilities were achieved and improved over the previous year. Further, the company's preemptive action in entering into long-term agreement with Petro Araldite Pvt Ltd. has paved way for higher growth in the domestic market. The domestic

demand for ECH has registered a growth of 36% in 2004-05. This has been due to growth in demand for ECH in the domestic market coupled with reduction in imports of Resins. The availability of ECH has resulted in increased production of epoxy resins. With increased focus on infrastructure projects by the Govt. of India, it is hoped, demand for ECH will further increase. The current international prices are on the upswing, besides the increase in the domestic prices of propylene and fuel oil. Considering the current market growth, the business prospects of ECH should add strength to TPL.

### CHLOR ALKALI

Caustic Soda, a major chemical intermediate, has wide applications in industries such as textiles, aluminium, water treatment etc. The caustic industry is always subject to cyclical changes and presently the market is bullish. Textiles, paper and the basic metal industry in India are doing well and hence the present trend is likely to continue.

The plant production is from eco-friendly membrane technology. The plant had achieved 106% of its installed capacity during this year; it had the added strength from the captive power plant. While the cost of power is contained by our own generation of power, the incremental burden due to steady increase in fuel oil price is causing concern. The success of chlor alkali plants globally is linked to disposal of chlorine. The Company's strategy of supplying chlorine to downstream units located closer to the chlor alkali plants has enabled the Company to achieve the capacity utilization in excess of 100%. The Company has been able to compete with global suppliers in supplying caustic soda to Nalco on account of its cost management measures. To minimize the risk in the transportation of chlorine, the Company supplies chlorine through pipelines to units located next to the plant. During this year, the combined prices of caustic soda and chlorine increased over the previous year and hence the Chlor Alkali division registered a stellar performance. The backlash of "Tsunami" is the non-availability of industrial grade salt, a vital raw material for production of caustic soda. This is causing concern at a time when the industry is flourishing.

### THREATS AND OPPORTUNITIES

#### Linear Alkyl Benzene

LAB domestic market has shown an overall growth of about 5% over previous year. The turnaround of the economy and the changes in the living habits in the country will definitely usher in growth for detergents leading to higher consumption of LAB in the country. Further, there is growth potential as the per capita consumption of detergent in India is less compared to the rest of world. The rural



markets are also witnessing sea change in the habits and living styles. Focused activities by FMCG companies are catalyzing the growth for selling detergents and personal care products.

The uncertainties in crude prices further aggravated by prediction that crude prices would touch US\$100 has a profound effect on raw materials, such as kerosene and benzene. The year under review also witnessed upheavals in international freight rates leading to imports of raw materials becoming dearer. These cost push increases could not be passed on to LAB users as the international price of LAB did not register a significant increase. The reduction of customs duty on LAB has also forced the manufacturers of LAB to roll back the prices. Cheaper import substitutes coupled with major capacity expansion in western India has definitely posed a major threat to the existing LAB manufacturers. The surplus capacity of LAB in India led to increased exports which had an indirect impact in terms of lower realization. TPL is the only Company having its manufacturing base for LAB in South India and our market development activities have carved out a niche in the south and allied markets, thereby ensuring a higher market share in the south.

#### **Epichlorohydrin**

The expiry of safeguard duty for ECH imports, together with the Free Trade Agreement in place has resulted in the threat of imports looming large in the Indian market. The reduced customs duty for Epichlorohydrin for ultimate use in automobile sector continued to keep the pressure to reduce the manufacturing cost. With the demand for resin increasing, the consumption of Epichlorohydrin to the contract supplier i.e., Petro Araldite Private Ltd is showing an increasing trend. So is the case with other medium volume consumers in India. With increased demand for epoxy resin, epichlorohydrin demand should show a good growth in future.

#### **Caustic Soda**

In spite of anti-dumping duty, the consumers, to gain advantage for their own consumption, are importing Caustic Soda. The additional capacity coming up in the market due to revamps undertaken by existing units is a matter of concern in the present caustic market.

#### **RISKS & CONCERNS**

##### **Linear Alkyl Benzene**

Despite Government of India announcing the implementation of Value Added Tax (VAT), its implementation across the country has not been uniform. This has jeopardized the Company's position vis-à-vis competitors. Further, TPL uses a variety of petroleum products as key inputs whose prices have exhibited volatility for the past 3 years. Although initially such increases in international prices

were considered to be an aberration, yet no normalcy has so far returned. However, in the recent past, efforts by oil-producing countries to increase the level of production may lead to price stability resulting in downward revision of petroleum derivatives.

Constant reduction of import duty of the product in successive budgets has made imports cheaper with its consequential impact on pricing and realization. TPL however, is poised to meet all these challenges as several proactive steps have been implemented such as e-bidding and covering purchase of raw materials and services. This has significantly reduced the cost.

#### **Epichlorohydrin**

The likely new capacities for polypropylene to be established utilizing the domestically available propylene is a matter of major concern for procuring propylene within India. The upward trend of crude oil prices increased the propylene prices both domestically and for import.

The Free Trade Agreement (FTA) for ECH in particular with neighbouring countries is causing pressure on manufacturing cost since the products are, made available at most competitive prices. However, the origin of such imports is a matter of concern, which has to be adequately addressed.

#### **Caustic Soda**

The increase in raw material prices viz. the prices of salt and fuel oil are raising the manufacturing cost. The import of caustic soda flakes is causing dip in the sales and realisation. The appreciation of rupee is also contributing to the quantum of imports of caustic soda.

#### **OUTLOOK**

India is looked upon as one of the fastest growing economies in the world. With changing lifestyles and growing purchasing power, consumption of detergents is bound to increase to a level prevailing in developed economies. Hence, with increased consumption of detergents, LAB consumption is also bound to increase, since it is the workhorse of detergents. Your Company also intends to achieve a 10% global share of LAB demand and has been consistently working towards achieving the goal. Your Company proposes to establish its presence in the Middle East and the Far East, for which active steps have been taken during the current year. The global capacity of 1,20,000 MT of LAB will be completed in 2005-06 and with 6% growth in the domestic market, the Company may not find it difficult in placing the additional LAB in the domestic market. The caustic industry, it is expected, will continue to do well in the next 2 years as it is an industrial intermediate having wide applications for its use. Further initiatives on interest reduction will also be

focused leading to improved profitability. Efforts are being made to revitalize areas in technical, financial and HR and it is hoped that these efforts will yield improved financial results and better performance in the years to come.

#### **INTERNAL CONTROL SYSTEM AND ITS ADEQUACY**

TPL has adequate internal control system monitored by an Internal Audit Function reporting to the Audit Committee. The Audit Committee is meeting periodically for reviewing the performance of the Company and formulating policies / issuing guidelines to the Management as well as to the Internal Audit Function.

#### **MATERIAL DEVELOPMENTS ON HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT**

The number of employees as on 31<sup>st</sup> March 2005 was 604. To effectively meet the future challenges of the Company, plans have been drawn up and they are being executed to

equip the Human Resources accordingly. Further, a major thrust has been placed for enhancing Quest for Excellence through structured training programmes for the employees of your Company. Focus on accountability mapping of senior and middle management Executives was given to achieve the targeted results in time.

#### **CAUTIONARY STATEMENT**

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking" statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, statutes and other incidental factors.

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**Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31<sup>st</sup> March 2005.**

#### **CONSERVATION OF ENERGY**

**The following Energy Conservation measures were implemented in LAB/ECH/Chlor Alkali Plants.**

1. Use of excess Hydrogen from Chlor Alkali Plant in LAB Plant Process Heaters (Hot Oil / Hydrobon) to save Fuel Oil (FO).
2. Commissioned a plate type combined feed Heat Exchanger in LAB Plant to recover more heat to save FO.
3. Provided Low Tension Capacitor Panels in LAB Pumps Motor Control Centre to save power.
4. Trimmed Impellers in Cooling Water Pumps, resizing of certain process pumps and introduced Variable Frequency Drive's in certain motors in all plants to save power.

5. Replaced old steam traps with high efficient ones to save FO.
6. Replaced majority of the plant lightings with Energy Efficient Lamps.
7. Optimised the burner capacity of LAB package boiler to save power and fuel.
8. In ECH reduced the Sanctioned Demand by 400 KVA to save power cost.
9. Introduced soft start/stop switch and temperature switch in ECH brine compressor to save power.
10. Commissioned vapour absorption system in Chlor Alkali Division CPP and switched off chilled water compressor to save power.





## FORM – A

Form for disclosure of particulars with respect to Conservation of Energy

### A. Power and Fuel Oil Consumption

	Current Year (2004 - 2005)	Previous Year (2003 - 2004)
<b>1. Electricity</b>		
a. Purchased Power		
Units (in lakhs)	10.98	11.30
Variable cost (Rs. in lakhs)	49.82	58.85
Total cost (Rs. in lakhs)	582.56	605.33
Rate/Unit (Rs.)		
Units Charges (Rs./Unit)*	4.54	5.21
Demand Charges (Rs./KVA)	300.00	300.00
*Variable cost includes peak hour charges		
b. Own Generation		
Through Diesel generator		
Units** (in lakhs)	2,250.94	2,293.18
Units/Litre of Fuel	4.09	4.24
Rate/Unit (Rs.)	3.20	3.12
**Includes power exported to grid.		
<b>2. Coal (specify quality where used)</b>		
Quantity (Tonnes)	--	--
Total cost	--	--
Average Rate	--	--
<b>3. Furnace Oil</b>		
Quantity (KL)	69,066.08	74,956.73
Total Amount (Rs.in lakhs)	7,317.40	7,565.21
Average Rate (Rs./KL)	10,594.78	10,092.76
<b>4. LSHS/ LSFO</b>		
Quantity (KL)	35,407.69	32,112.94
Total amount (Rs.in lakhs)	3,667.17	3,428.64
Average Rate (Rs./KL)	10,356.99	10,676.82
<b>5. Diesel</b>		
Quantity (KL)	32.49	23.49
Total Amount (Rs.in lakhs)	7.96	5.06
Average Rate (Rs./KL)	24,495.16	21,537.60
<b>6. Windfarm</b>		
Units Generated (in lakhs)	186.62	202.08
Total Amount (Rs. in lakhs)	92.67	122.34
Rate / Unit (Rs.)	0.50	0.69

**B. Consumption per unit (MT) of Production**

Products with details (unit)	(Standard if any)	Current Year			Previous Year		
		LAB	ECH	CAD Caustic	LAB	ECH	CAD Caustic
Electricity (Kwhr/Mt)		608.78	1,429.31	2,640.61	608.27	1,577.49	2,657.60
Furnance Oil (Mt)		0.450	0.550	0.012	0.443	0.594	0.007
Coal (Specify quality)		-	-	-	-	-	-
Others (Specify)		-	-	-	-	-	-

**FORM – B**

Form for disclosure of particulars with respect to absorption

**RESEARCH AND DEVELOPMENT**

Research & Development function is engaged in activities for improving the quality of main products and by-products. Efforts are on, towards developing value added products from various process streams and reduction in generation of waste materials.

1. Specific areas in which R & D carried out by the Company
  - a. Studies related to improvement in quality LAB and Heavy alkylate.
  - b. Studies related to usage of Sodium Hypochlorite in Hypochlorination of allyl chloride.
  - c. Studies related to washing performance of non-detergent washing machines in comparison with conventional washing machines
  - d. Development of pure chemicals from process stream products.
  - e. Studies related to process effluent water for improving the performance of Effluent treatment plant.
2. Benefits derived as a result of above R & D
  - a. Improving the satisfaction of the customers and retention of customers
  - b. Development of options for better uage of Sodium Hypochlorite
  - c. Evaluation of threats to detergent business due to development of substitutions
  - d. Value addition to process streams
  - e. Conformance to environmental regulations and improvement in Environmental performance of the organisation.
3. Future Plan of Action
  - a. Development of process improvements for reduction of waste generation
  - b. Studies related to application of products generated from process streams.
  - c. Development of solid catalysts in process application.
4. Expenditure on R & D (Rs.in lakhs)
  - a. Capital -
  - b. Recurring 13.42
  - c. Total 13.42
  - d. Total R & D expenditure as a percentage of total turnover 0.02%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : Nil**

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- a. Foreign Exchange outgo : Rs. 10,641.71 lakhs
- b. Foreign Exchange earnings : Rs. 4,534.51 lakhs

## REPORT ON CORPORATE GOVERNANCE (2004-05)

### 1. Company's philosophy :

Tamilnadu Petroproducts Limited firmly believes that implementation of good corporate governance will help the Company achieve corporate goals and enhance stakeholders value. It has been our endeavor to give importance on ensuring fairness, transparency, accountability and responsibility to stakeholders besides voluntarily implementing practices that would give optimum information and benefit to the stakeholders.

### 2. Board of Directors :

#### a. Promoter Non-Executive Directors :

	Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of other Director-ships@	Committee Membership*	
						Chairman	Member
1	Thiru Rameshram Mishra, IAS (Appointed as Director & Chairman w.e.f. 4 <sup>th</sup> Aug'04)	Chairman	4	Yes	14	-	3
2	Dr A.C. Muthiah	Vice-Chairman	7	Yes	12	-	-
3	Thiru Ashwin C Muthiah	Director	6	Yes	11	-	3
4	Thiru Ashok Kumar Gupta, I.A.S.	Director	4	Yes	8	-	-
5	Thiru Babu K Verghese	Director	5	Yes	4	-	-
6	Thiru S. Susai (Appointed as Director w.e.f. 7 <sup>th</sup> Jun'05)	Director	1	NA	7	-	4
7	Thiru M. Malik Feroze Khan, IAS (Appointed as Director w.e.f. 7 <sup>th</sup> Jun'05)	Director	-	NA	3	-	-

#### b. Promoter Executive Directors :

8	Thiru RM. Muthukaruppan	Managing Director & Chief Operating Officer	7	Yes	2	-	2
9	Thiru V. Ramani	Director & Chief Financial Officer	7	Yes	-	-	-

#### c. Independent Non-Executive Directors :

10	Thiru C. Ramachandran	Director	7	Yes	4	1	4
11	Thiru Dhananjay N. Mungale	Director	5	Yes	8	3	5
12	Thiru N.R. Krishnan	Director	7	Yes	3	2	5
13	Dr. K.U. Mada	Director	7	Yes	6	4	4
14	Thiru N. Rangachary (Appointed as Director w.e.f. 27 <sup>th</sup> Oct'04)	Director	3	NA	2	-	-

@ Does not include Directorships in Companies excluded as per section 278 of the Companies Act, 1956.

\* As per SEBI guidelines only the Membership in Audit Committee / Shareholders Grievance Committee/Remuneration Committee are taken into consideration.

NA-Not applicable

**Persons who ceased to be Directors :**

	Name	Designation & Date of Cessation	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorship	Committee Membership	
						Chairman	Member
1	Thiru Arun Ramanathan, IAS	Chairman (4/8/04)	-	NA	12	-	-
2	Dr. R. Vijaykumar, Ph.D., IAS	Director (4/8/04)	1	NA	9	-	5
3	Thiru R. Kuppuswamy, IAS	Director (4/8/04)	-	NA	9	-	-
4	Thiru P Baskaradoss, IAS	Director (4/8/04)	1	NA	11	-	-
5	Thiru Md. Nasimuddin, IAS	Director (19/1/05)	3	Yes	6	-	7
6	Thiru Pradeep Yadav, IAS	Director (7/6/05)	2	NA	11	-	6
7	Thiru S. Ramachandran, IAS	Director (7/6/05)	2	NA	7	-	-

NA-Not applicable

- ❖ Number of Board Meetings held : 7
- ❖ Dates on which held : 31<sup>st</sup> May 2004, 4<sup>th</sup> August 2004, 28<sup>th</sup> September 2004, 27<sup>th</sup> October 2004, 28<sup>th</sup> January 2005, 20<sup>th</sup> April 2005 and 7<sup>th</sup> June 2005

**3. AUDIT COMMITTEE:**

**Brief Description and terms of reference:**

1. Overseeing of the Company's financial reporting process and the disclosures of its Financial Information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services.
3. Reviewing with Management the Annual Financial Statements before submission to the Board.
4. Reviewing with the Management, External and Internal Auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of Internal Audit function, including the structure of the Internal Audit Department.
6. Discussion with Internal Auditors any significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with External Auditors before the Audit commences on the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
9. Reviewing the Company's Financial and Risk Management policies.
10. To look into the reasons for substantial defaults in the payment to the Depositors, Debenture Holders, Shareholders (in case of non-payment of declared dividends) and Creditors.

**Composition, Name of Members and Chairperson of the Audit Committee**

The Company has an Audit Committee of the Board comprising 5 Directors including 4 Independent Directors. The Committee held 6 Meetings on 31<sup>st</sup> May 2004, 4<sup>th</sup> August 2004, 27<sup>th</sup> October 2004, 27<sup>th</sup> January 2005, 20<sup>th</sup> April 2005 and 6<sup>th</sup> June 2005.

Name of the Member	Designation	Number of Meetings attended
Thiru C. Ramachandran	Chairman (Independent)	6
Thiru S. Susai (inducted as Member w.e.f. 7 <sup>th</sup> June 2005)	Member (representing TIDCO)	1*
Thiru Dhananjay N Mungale	Member (Independent)	4
Thiru N.R. Krishnan	Member (Independent)	6
Dr K.U. Mada	Member (Independent)	6

\* By invitation

#### Persons who ceased to be Members

Dr R. Vijaykumar, Ph.D., IAS (ceased to be a Member w.e.f. 4 <sup>th</sup> August 2004)	Member (representing TIDCO)	1
Thiru Md. Nasimuddin, IAS (ceased to be a Member w.e.f. 19 <sup>th</sup> January 2005)	Member (representing TIDCO)	2
Thiru Pradeep Yadav, IAS (ceased to be a Member w.e.f. 7 <sup>th</sup> June 2005)	Member (representing TIDCO)	2

#### 4. (a) Details of Remuneration paid to Whole-time Directors:

(Rupees)

Name and Term of Service	Salary	Commission	Perquisites	Retirement Benefits	Total
Thiru RM. Muthukaruppan 4.2.2004 – 3.2.2007	9,78,000	4,80,000	3,19,989	1,70,500	19,48,489
Thiru V. Ramani 4.2.2004 – 3.2.2007	9,96,362	—	1,14,900	1,55,076	12,66,338
<b>Total</b>	<b>19,74,362</b>	<b>4,80,000</b>	<b>4,34,889</b>	<b>3,25,576</b>	<b>32,14,827</b>

Notice Period or Severance Fee: Three calendar months' notice or salary and other benefits due in lieu of notice.

All the above components are fixed.

#### (b) Remuneration to Non Executive Directors

##### Commission

A commission of Rs.1 lac per annum to each Non-Wholetime Director who are also Members of Audit Committee and Rs.0.50 lac per annum to each other Non-Wholetime Director, aggregating Rs.8,33,015/- is payable for the year 2004-05.

**Sitting Fees paid to Non Whole-time Directors**

Name (Tvl.)	Sitting Fees (Rs )	
	Board Meetings	Committee Meetings
Arun Ramanathan, IAS	5,000 *	-
Rameshram Mishra, IAS	30,000 *	-
Babu K Verghese	45,000	10,000
A.C. Muthiah	50,000	-
Ashwin C. Muthiah	35,000	1,05,000
P. Baskaradoss, IAS	10,000 *	-
Dhananjay N. Mungale	30,000	15,000
N.R. Krishnan	50,000	45,000
Dr. K.U. Mada	50,000	30,000
C. Ramachandran	50,000	2,20,000
Dr. R. Vijaykumar, Ph.D., IAS	5,000 *	30,000 *
Md. Nasimuddin, IAS	30,000 *	1,00,000 *
S. Ramachandran, IAS	10,000 *	-
Pradeep Yadav, IAS	10,000 *	40,000 *
Ashok Kumar Gupta, IAS	30,000 *	-
N. Rangachary	10,000	-
Total	4,50,000	5,95,000

\* Paid to TIDCO as they are TIDCO Nominees.

**5. Remuneration Committee : (Non-Mandatory)**

The remuneration of Whole-time Directors is decided and approved by the Board of Directors. Hence a Remuneration Committee has not been constituted.

**6. Shareholders Committee:**

The Board has constituted a Share Transfer & Shareholders / Investors Grievance Committee to approve the Share Transfer, Transmission, Transposition of Name, Issue of Split / Duplicate Certificates, to ratify confirmations made to the demat requests received by the Company and to review the status report on redressal of Shareholder and Investor Complaints received by the Company / Share Transfer Agents.

**Composition & Name of Members and Chairman\* :**

Thiru C. Ramachandran	:	Member
Thiru Ashwin C. Muthiah	:	Member
Thiru S. Susai	:	Member
Thiru RM. Muthukaruppan	:	Member

\*Chairman of the Meeting will be elected by the Members at each Meeting.

Name & Designation of Compliance Officer : M.B. Ganesh  
Company Secretary

During the year, 973 letters/complaints received from the shareholders were replied /resolved. As on 31<sup>st</sup> March 2005, 13 valid transfer deeds involving 1300 Equity Shares were under process, out of which 11 proposals involving 1100 Equity Shares were subsequently approved during April 2005 and the balance are pending for technical reasons.



**General Body Meetings:**

The particulars of Annual / Extraordinary General Meetings held during the last 3 years as under :

Year	Date	Time	Venue
2001-02 (AGM)	16.9.2002	4.00 PM	Kamaraj Arangam, No.492 (Old No.574-A), Anna Salai, Teynampet, Chennai - 600 006
2002-03 (AGM)	8.8.2003	10.00 AM	Tamil Isai Sangam, Raja Annamalai Hall, Esplanade (Near High Court), Chennai - 600 108
2003-04 (AGM)	5.8.2004	10.30 AM	- do -

No resolution has been put through postal ballot.

No special resolution or ordinary resolution on matters requiring postal ballot are placed for shareholders approval at the forthcoming 20<sup>th</sup> AGM to be held on 14th September 2005.

**7. Disclosures:**

- Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

NIL

- Details of Non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

NIL

**8. Means of Communication:**

Quarterly and Half-yearly results are published through the Company's web site and widely circulated national & local dailies. These are not sent individually to shareholders. Management Discussion & Analysis Report forms part of the Annual Report.

**9. General Shareholder Information**

- Annual General Meeting - 20<sup>th</sup> Annual General Meeting will be held on 14<sup>th</sup> September 2005 at Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade, (Near High Court), Chennai - 600 108.
- Financial Calendar
  - Annual Results (Audited) - May / June
  - Unaudited First Quarter Results (subject to limited review by Auditors) - End July
  - Annual General Meeting - September
  - Unaudited Second Quarter Results (subject to limited review by Auditors) - End October
  - Unaudited third Quarter Results (subject to limited review by Auditors) - End January

- Date of Book closure : The Register of Members and the Share Transfer Books of the Company will remain closed from 25th August 2005 to 14th September 2005 (both days inclusive)
- Dividend Payment Date : September / October
- Listing of Securities on Stock Exchanges : The Equity Shares of the Company are listed in:
  - Madras Stock Exchange Ltd.(MSE)
  - The Stock Exchange, Mumbai (BSE) &
  - National Stock Exchange of India Ltd.(NSE)

**Stock Code** For Equity shares

MSE - TNPETPROD  
 NSE - TNPETRO  
 BSE - 500777

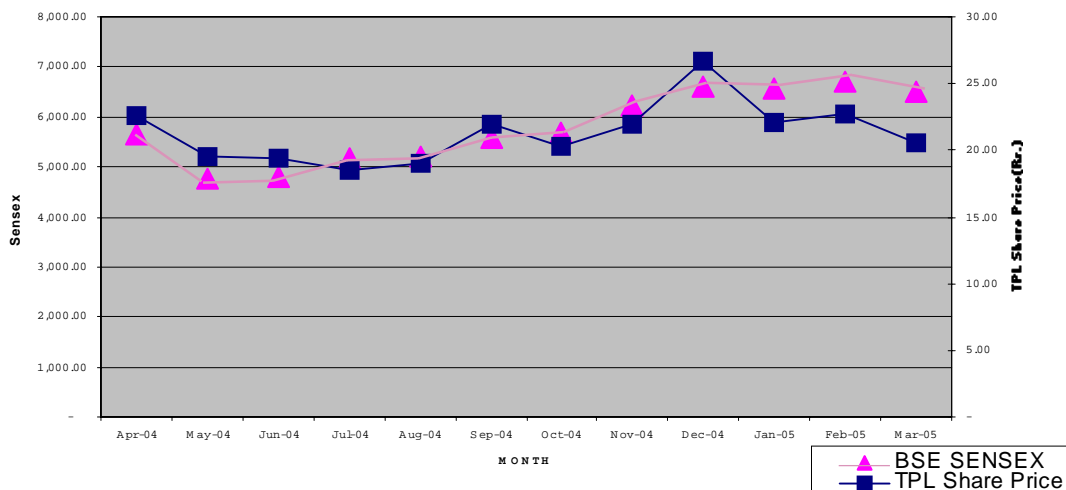
Market Price Data [High / Low during each month in last Financial Year]

Month / Year - 2004-05	BSE		NSE	
	High (in Rs.)	Low (in Rs.)	High (in Rs.)	Low (in Rs.)
April 2004	25.90	22.05	25.75	22.20
May	23.35	17.00	23.45	15.00
June	20.00	18.30	20.05	16.10
July	20.50	18.35	20.45	18.25
August	20.45	17.80	20.45	17.75
September	23.65	19.20	23.65	18.95
October	24.55	20.15	24.30	20.10
November	23.45	20.10	23.50	20.50
December	28.00	21.10	28.15	21.15
January 2005	27.85	18.90	27.75	21.25
February	25.20	21.70	25.20	21.75
March	23.70	19.65	23.75	19.70





## PERFORMANCE OF TPL SHARE PRICE IN COMPARISON TO BSE SENSEX



Registrar & Share Transfer Agents:

M/s Cameo Corporate Services Limited  
 "Subramanian Building",  
 No.1 Club House Road  
 Chennai 600 002  
 Tel No.28460084 / 28460395 / 28460390(5 Lines)  
 Fax No.28460129  
 E-mail: cameo@cameoindia.com

### Share Transfer System:

The Board had constituted a Share Transfer & Shareholders / Investors Grievance Committee to approve, inter alia, transfer of shares etc. in physical form and also to ratify the confirmations made to the demat requests received by the Company. During the year 22 such Meetings were held. The entire process including despatch of share certificates to the shareholders were completed within the time stipulated as per the Listing Agreement.

(a) Distribution of Shareholding as of 31<sup>st</sup> March 2005:

Category (No. of shares)	No. of Shareholders	Percentage	No. of Shares	Percentage
Upto 500	1,06,774	89.69	1,75,38,346	19.49
501 – 1000	7,392	6.21	60,00,818	6.68
1001 – 2000	2,776	2.33	42,94,276	4.77
2001 – 3000	781	0.66	20,21,481	2.25
3001 – 4000	296	0.25	10,71,206	1.19
4001 – 5000	315	0.26	15,21,211	1.69
5001 – 10000	410	0.34	30,72,433	3.41
10001 & above	305	0.26	5,44,51,703	60.52
<b>TOTAL</b>	<b>1,19,049</b>	<b>100.00</b>	<b>8,99,71,474</b>	<b>100.00</b>

(b) Shareholding Pattern as of 31<sup>st</sup> March 2005 :

Category	No. of Equity Shares	% to Paid-up Capital
Promoters :-		
Tamilnadu Industrial Development Corpn.Ltd.	1,58,43,751	17.61
Southern Petrochemical Industries Corpn. Ltd.	1,52,34,375	16.93
Other Corporate Bodies	1,08,26,430	12.03
General Public	3,66,96,614	40.80
Non Resident Individuals	39,05,899	4.34
Foreign Institutional Investors & OCBs	20,41,425	2.27
Indian Financial Institutions	51,19,333	5.69
Mutual Funds & Banks	22,425	0.02
Shares in Transit [clearing Member account]	2,81,222	0.31
<b>TOTAL</b>	<b>8,99,71,474</b>	<b>100.00</b>

Dematerialization of Shares : Over 51.07% of the 89971474 outstanding shares have been dematerialized upto 31<sup>st</sup> March 2005.

Liquidity : The Company's Equity shares are traded on the major Indian Stock Exchanges.

Outstanding GDR's / ADR's / Warrants or any Convertible Instruments, conversion date and likely impact on equity : Not applicable

Plant Location : Manali Express Highway  
Manali, Chennai – 600 068.

Address for Correspondence : **(A) Registered Office & Factory:**  
Post Box No.9  
Manali Express Highway,  
Manali, Chennai - 600 068.  
Tel No : 044-25941501-10 / 25940761  
Fax No : 044-25941139 / 25940761  
Email : secy-legal@tnpetro.com  
mbg@tnpetro.com  
isd@tnpetro.com

**(B) Corporate Office**

“TPL House”  
No.3, III Floor, Cenotaph Road  
Teynampet, Chennai - 600 018.  
Tel No : 044-24311035  
Fax No : 044-24311033

Website : www.tnpetro.com



## CERTIFICATE

**To**

**The Members of Tamilnadu Petroproducts Limited**

We have examined the compliance of conditions of Corporate Governance by Tamilnadu Petroproducts Limited, for the year ended on 31<sup>st</sup> March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, based on the confirmation given by the registrars and transfer agent of the company, as on 31<sup>st</sup> March 2005, there were no investor grievances remaining unattended for more than thirty days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.  
Chartered Accountants

H.L. SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

## AUDITOR'S REPORT TO THE MEMBERS OF TAMILNADU PETROPRODUCTS LIMITED

We have audited the attached balance sheet of Tamilnadu Petroproducts Limited as at March 31, 2005 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that

- i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv) in our opinion, the balance sheet, the profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

v) on the basis of written representations received from the directors, as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi) *As stated in Note 22, the company has, during the period 1995 to 2003, invested Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited for which no provision for permanent diminution in value has been considered necessary by the management. In view of the considerable delay in the implementation of the project, we are unable to express an opinion on the provision, if any, required in respect of the said investment.*

*Subject to para (vi) above, the effect of which could not be determined, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*

- a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2005;
- b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co  
Chartered Accountants

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

H.L. SHAH  
Partner



**Annexure referred to in paragraph 3 of the report of even date of the auditors to the members of Tamilnadu Petroproducts Limited on the accounts for the year ended 31st March, 2005.**

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The management has a programme of physical verification of fixed assets over a period of three years which is, in our opinion, reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- c) In our opinion, the company has not disposed off a substantial part of fixed assets during the year and therefore paragraph 4 (i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- ii. a) Physical verification of inventory has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate, in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventories and no material discrepancies have been noticed on physical verification of inventories as compared to the book records.
- iii. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and therefore paragraph 4(iii) of the said Order is not applicable.
- iv. In our opinion and according to information and explanations given to us and having regard to the explanations that some of the items purchased are of a special nature for which comparative quotations are not available, there are adequate internal control systems commensurate with size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. We have neither come across nor have we been informed of any major weaknesses in internal control procedures.
- v. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 and therefore paragraph 4(v) of the said Order is not applicable.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under are applicable, and therefore paragraph 4(vi) of the Order is not applicable.
- vii. In our opinion the company has an internal audit system which is commensurate with its size and nature of business.
- viii. We have broadly reviewed the books of accounts maintained by the company relating to manufacture of Linear Alkyl Benzene and Caustic Soda where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or not.

ix.a) In our opinion and according to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, and cess and other statutory dues, if any, with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2005 for a period of more than six months from the date they became payable.

b) As on 31st March 2005, according to the records of the company, the following are the particulars of disputed dues on account of sales tax, service tax, excise duty and income tax that have not been deposited.

<b>Name of the statute</b>	<b>Nature of dues</b>	<b>Amount net of deposits (Rs.in Lacs)</b>	<b>Period to which amount relates</b>	<b>Forum where dispute is pending</b>
Sales tax law	Sales tax	2,819.44	1993-94 to 2001-02	Sales Tax Appellate Tribunal
Sales tax law	Sales tax	5,983.71	1994-95 and 1995-96	High Court
Excise law	Excise Duty	192.04	March 1994	High Court
Excise law	Excise Duty	775.24	1994 to 2003	Customs Excise and Service Tax Appellate Tribunal
Excise law	Excise Duty	43.02	1999 to 2003	Commissioner Appeals
Service tax law	Service Tax	6.21	1997 to 1999	Customs Excise and Service Tax Appellate Tribunal
Income tax law	Income Tax	92.28	Assessment Year 1998-99 to 2000-01	Income Tax Appellate Tribunal
Income tax law	Income Tax	151.16	Assessment Year 2002-03	Commissioner of Income Tax



- x. The company has neither accumulated losses nor has it incurred cash losses in the financial year or in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
- xii. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and therefore paragraph 4(xii) of the Order is not applicable.
- xiii. The provisions of any special statute applicable to chit fund and nidhi/mutual benefit fund/society are not applicable to the company and therefore paragraph 4(xiii) of the Order is not applicable.
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments and therefore paragraph 4(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, during the year the company has not given any guarantee for loans taken by others from banks or financial institutions and therefore paragraph 4(xv) of the Order is not applicable.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion the term loans availed by the company during the year were, prima facie, applied for the purposes for which they were taken.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have, prima facie, not been used for long term investments.
- xviii. The company has not made any preferential allotment of shares during the year and therefore paragraph 4(xviii) of the Order is not applicable.
- xix. The company has not issued any debentures during the year and therefore paragraph 4(xix) of the Order is not applicable.
- xx. The company has not raised any money by way of public issues during the year and therefore paragraph 4(xx) of the Order is not applicable.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed during the year.

For A.F. Ferguson & Co  
Chartered Accountants

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

H.L. SHAH  
Partner

**BALANCE SHEET**

As at 31st March, 2005

(Rupees in Lacs)

	SCHEDULE	As at March 31 2005	As at March 31 2004
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	<u>33,340.77</u>	<u>35,687.08</u>
		<b>42,337.92</b>	44,684.23
<b>Loan Funds:</b>			
Secured	3	27,546.62	27,311.33
Unsecured	4	<u>1,886.01</u>	<u>5,106.92</u>
		<b>29,432.63</b>	32,418.25
Deferred tax liabilities (net)		<b>9,543.09</b>	10,048.73
<b>TOTAL</b>		<b><u>81,313.64</u></b>	<u>87,151.21</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross block	5	119,963.23	117,377.48
Less: Depreciation		<u>71,706.84</u>	<u>64,899.70</u>
Net Block		<b>48,256.39</b>	52,477.78
Capital work in progress		<u>6,457.73</u>	<u>5,023.16</u>
		<b>54,714.12</b>	57,500.94
<b>INVESTMENTS</b>	6	<b>18,127.11</b>	16,146.35
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories		10,351.53	7,983.55
Sundry debtors		5,396.90	5,068.01
Cash and bank balances		1,299.53	3,387.29
Loans and advances		<u>5,330.50</u>	<u>7,853.13</u>
		<b>22,378.46</b>	24,291.98
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	8	12,645.96	9,057.68
Provisions		<u>1,260.09</u>	<u>1,730.38</u>
		<b>13,906.05</b>	10,788.06
<b>Net current assets</b>		<b>8,472.41</b>	13,503.92
<b>TOTAL</b>		<b><u>81,313.64</u></b>	<u>87,151.21</u>
Notes to the accounts	12		

As per our report of even date attached

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered AccountantsRAMESHRAM MISHRA  
Dr. A. C. MUTHIAH  
C. RAMACHANDRAN  
RM. MUTHUKARUPPAN  
V. RAMANIChairman  
Vice Chairman  
Director  
Managing Director & COO  
Director & CFOM.B. GANESH  
SecretaryH.L.SHAH  
PartnerPlace : Bangalore  
Date : 7<sup>th</sup> June 2005Place : Chennai  
Date : 7<sup>th</sup> June 2005





TPL

## PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 2005

(Rupees in Lacs)

	SCHEDULE	Year ended March 31 2005	Year ended March 31 2004
<b>INCOME</b>			
Sales and services		83,033.57	75,410.20
Less : Excise Duty		9,761.49	9,210.93
Net Sales and services		<u>73,272.08</u>	<u>66,199.27</u>
Other income	9	<u>675.97</u>	<u>538.95</u>
		<b>73,948.05</b>	<b>66,738.22</b>
<b>EXPENDITURE</b>			
Manufacturing and other expenses	10	65,617.52	54,692.58
Interest (Net)	11	2,697.44	3,492.98
Depreciation for the year		6,811.29	6,554.07
Less:credit for amount withdrawn from revaluation reserve		<u>1,829.25</u>	<u>1,829.25</u>
		<u>4,982.04</u>	<u>4,724.82</u>
		<b>73,297.00</b>	<b>62,910.38</b>
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>651.05</b>	<b>3,827.84</b>
Exceptional items (see Note 24)		<b>38.13</b>	<b>(191.83)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>689.18</b>	<b>3,636.01</b>
Provision for tax			
- current		54.00	1,400.00
- earlier years		(41.55)	-
- deferred		<u>(505.64)</u>	<u>14.94</u>
		<b>(493.19)</b>	<b>1,414.94</b>
<b>PROFIT AFTER TAXATION</b>		<b>1,182.37</b>	<b>2,221.07</b>
Transferred from Investment Allowance reserve account		-	1,123.00
Balance brought forward		<b>4,859.89</b>	<b>3,784.55</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>6,042.26</b>	<b>7,128.62</b>
<b>APPROPRIATIONS</b>			
Transferred to Debenture Redemption reserve		-	800.00
Transferred from Debenture Redemption reserve		<b>(4,000.00)</b>	-
Proposed dividends		<b>899.71</b>	<b>1,124.64</b>
Tax on dividends		<b>126.19</b>	<b>144.09</b>
Transfer to general reserve		-	200.00
Balance carried to balance sheet		<u>9,016.36</u>	<u>4,859.89</u>
		<b>6,042.26</b>	<b>7,128.62</b>
Earnings per share : (after exceptional items)			
Basic		<b>1.31</b>	<b>2.47</b>
Diluted		<b>1.31</b>	<b>2.46</b>
Notes to the accounts		12	

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered Accountants

RAMESHRAM MISHRA  
Dr. A. C. MUTHIAH  
C. RAMACHANDRAN  
RM. MUTHUKARUPPAN  
V. RAMANI

Chairman  
Vice Chairman  
Director  
Managing Director & COO  
Director & CFO

M.B. GANESH  
Secretary

H.L.SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

Place : Chennai  
Date : 7<sup>th</sup> June 2005

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

(Rupees in Lacs)

	For the year ended 31st March 2005	For the year ended 31st March 2004
<b>A. Cash Flow from Operating Activities:</b>		
<b>Profit before tax</b>	<b>689.18</b>	3,636.01
Adjustment for		
Depreciation	<b>4,982.04</b>	4,724.82
(Profit) / Loss on sale / scrapping of fixed assets (net)	<b>(0.29)</b>	2.61
Loss on sale of investments (net)	<b>529.90</b>	91.83
Provision for diminution in value of investments (net)	<b>(568.03)</b>	100.00
Provision for doubtful debts / advances (net)	<b>35.48</b>	118.96
Bad debts / advances written off	<b>118.96</b>	37.39
Unrealised exchange loss (net)	<b>(62.93)</b>	90.41
Interest expense	<b>2,815.36</b>	3,625.59
Interest income	<b>(117.92)</b>	(132.61)
Income from investments	<b>(40.98)</b>	(52.43)
	<b><u>7,691.59</u></b>	<u>8,606.57</u>
Operating profit before working capital changes	<b>8,380.77</b>	12,242.58
Adjustments for :		
(Increase)/Decrease in sundry debtors	<b>(255.75)</b>	5,397.99
(Increase)/Decrease in inventories	<b>(2,367.98)</b>	(1,620.78)
(Increase)/Decrease in loans and advances	<b>455.99</b>	1,360.68
Increase/(Decrease) in current liabilities and provisions	<b>3,833.18</b>	2,023.05
	<b><u>1,665.44</u></b>	<u>7,160.94</u>
Cash generated from operations	<b>10,046.21</b>	19,403.52
Direct taxes paid	<b>(419.92)</b>	(1,909.75)
<b>Net Cash from Operating Activities</b>	<b><u>9,626.29</u></b>	<u>17,493.77</u>
<b>B. Cash Flow from Investing Activities:</b>		
Additions to fixed assets (including capital work in progress and advances)	<b>(3,852.05)</b>	(5,500.40)
Advances to be adjusted against equity of new projects	<b>(921.72)</b>	(1,810.50)
Proceeds from sale of fixed assets	<b>0.60</b>	1.19
Proceeds from sale of investments	<b>826.11</b>	420.53
Purchase of investments in subsidiaries (net of advances adjusted against issue of equity Rs.2,768.75 lacs (previous year : Rs.2,764.00 lacs))	<b>-</b>	(4.75)
Income from investments	<b>40.98</b>	52.43
Interest received	<b>126.05</b>	186.92
Proceeds from Loans / Deposits with companies	<b>135.04</b>	202.37
	<b><u>(3,644.99)</u></b>	<u>(6,452.21)</u>
<b>Net cash used in investing activities</b>	<b><u>(3,644.99)</u></b>	<u>(6,452.21)</u>



Cash Flow Statement (continued)

(Rupees in Lacs)

	<b>For the year ended 31st March 2005</b>	<b>For the year ended 31st March 2004</b>
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from new borrowings (net)	21,770.17	19,737.25
Repayment of borrowings	(24,755.78)	(23,848.91)
Dividend paid	(1,128.23)	(1,134.69)
Dividend tax paid	(144.09)	(144.09)
Interest paid	(3,152.89)	(4,180.35)
Prepayment premium paid	(673.53)	-
	<u>(8,084.35)</u>	<u>(9,570.79)</u>
<b>Net cash used in financing activities</b>	<u><b>(8,084.35)</b></u>	<u><b>(9,570.79)</b></u>
<b>Net cash flows during the year (A+B+C)</b>	<u><b>(2,103.05)</b></u>	<u><b>1,470.77</b></u>
<b>Cash and cash equivalents (Opening balance)</b>	<b>3,397.28</b>	<b>1,926.51</b>
<b>Cash and cash equivalents (Closing balance)</b>	<b>1,294.23</b>	<b>3,397.28</b>

Note : Cash and cash equivalents excludes unrealised exchange gain of Rs. 5.30 lacs (Previous year loss of Rs. 9.99 lacs)

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered Accountants

RM. MUTHUKARUPPAN  
Managing Director &  
Chief Operating Officer

V. RAMANI  
Director &  
Chief Financial Officer

M.B. GANESH  
Secretary

H.L.SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

Place : Chennai  
Date : 7<sup>th</sup> June 2005

**SCHEDULES**  
**SHARE CAPITAL**

**SCHEDULE - 1**  
(Rupees in Lacs)

	<b>As at March 31 2005</b>	<b>As at March 31 2004</b>
<b>Authorised</b> 200,000,000 equity shares of Rs.10 each	<b>20,000.00</b>	20,000.00
<b>Issued</b> 89,976,899 equity shares of Rs 10 each (Note 2)	<b>8,997.69</b>	8,997.69
<b>Subscribed and fully paid up</b> 89,971,474 equity shares of Rs 10 each (Note 2)	<b>8,997.15</b>	8,997.15

**RESERVES AND SURPLUS**

**SCHEDULE - 2**  
(Rupees in Lacs)

	<b>Balance as at March 31, 2004</b>	<b>Transfer from profit and loss account/ additions during the year</b>	<b>Transfer to profit and loss account/ deductions during the year</b>	<b>Balance as at March 31, 2005</b>
Capital reserve	42.23 (42.23)	- (-)	- (-)	<b>42.23</b> <b>(42.23)</b>
Securities premium account (Note 25)	5,285.10 (5,285.10)	- (-)	673.53 (-)	<b>4,611.57</b> <b>(5,285.10)</b>
Debenture redemption reserve account	4,000.00 (3,200.00)	- (800.00)	4,000.00 (-)	- <b>(4,000.00)</b>
Investment allowance reserve account	- (1,123.00)	- (-)	- (1,123.00)	- (-)
Revaluation reserve account (Note 5)	6,593.53 (8,422.78)	- (-)	1,829.25 (1,829.25)	<b>4,764.28</b> <b>(6,593.53)</b>
General reserve	14,906.33 (15,864.92)	- (200.00)	- (1,158.59)	<b>14,906.33</b> <b>(14,906.33)</b>
Profit and loss account	4,859.89 (3,784.55)	9,016.36 (4,859.89)	4,859.89 (3,784.55)	<b>9,016.36</b> <b>(4,859.89)</b>
	<b>35,687.08</b> <b>(37,722.58)</b>	<b>9,016.36</b> <b>(5,859.89)</b>	<b>11,362.67</b> <b>(7,895.39)</b>	<b>33,340.77</b> <b>(35,687.08)</b>

Figures in brackets relate to previous year.



## SECURED LOANS

## SCHEDULE - 3 (Rupees in Lacs)

	As at March 31 2005	As at March 31 2004
Loans from financial institutions	10,000.00	2,500.00
Term loans [Amounts due within one year Rs. 1,041.67 lacs (Previous year Rs Nil lacs)]		
Loans from banks	5,160.88	1,250.00
Term loans [Amounts due within one year Rs. 979.17 lacs (Previous year Rs 1,000.00 lacs)]		
Others (Long term)	5,500.00	10,000.00
[Amounts due within one year Rs. 1,375.00 Lacs (Previous year Rs. 2,000.00 lacs)]		
Others (Short term)	6,885.74	2,894.66
Non convertible debentures	-	10,666.67
	<b><u>27,546.62</u></b>	<b><u>27,311.33</u></b>

### Note:

1. Loans of Rs. 10,000.00 lacs (previous year Rs. 2,500.00 lacs) from financial institutions are secured by a first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 & 3 below) ranking pari passu with the loans stated in note 2 (b) and 3 (a) below.
2. Loans from banks comprises of :
  - a. Term loan of Rs. 250.00 lacs (previous year Rs. 1,250.00 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds.
  - b. Term loan of Rs. 4,910.88 lacs (availed during the year) are secured by a first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 (a) & 3 below) ranking pari passu with the loans stated in note 1 & 3 (a).
3. Term loan (others) of Rs. 5,500.00 lacs (previous year Rs. 10,000.00 lacs) is secured by
  - a. first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 above) ranking pari passu with the loans stated in note 1 & 2 (b).
  - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at the Chlor Alkali Division of the company and
  - c. Pledge of all the equity shares held by the Company in Henkel SPIC India Limited.
4. Other (short term) loans from banks of Rs. 6,885.74 lacs (previous year Rs. 2,894.66 lacs) are secured by hypothecation by way of charge on inventories both on hand and in transit, book debts and other receivables, both present and future, and further secured by way of joint mortgage by deposit of title deeds on second charge pari passu basis on immovable properties, both present and future, except for exclusive charges stated in note 2 and 3 above.
5.
  - a. 13.5% debentures of Rs. 666.67 lacs outstanding at the beginning of the year were redeemed on the due dates during the year.
  - b. 12% debentures of Rs 10,000.00 lacs outstanding at the beginning of the year were prematurely redeemed during the year.

**UNSECURED LOANS****SCHEDULE - 4**  
(Rupees in Lacs)

	<b>As at March 31 2005</b>	<b>As at March 31 2004</b>
Short term loans from banks	<b>1,000.00</b>	2,000.00
Commercial Paper *	-	2,500.00
Interest Free Sales Tax Loan	<b>886.01</b>	606.92
	<b><u>1,886.01</u></b>	<u>5,106.92</u>

\* Maximum amount outstanding at any time during the year Rs.3,000.00 lacs (Previous year Rs.4,500.00 lacs)

**FIXED ASSETS****SCHEDULE - 5**

(Rupees in Lacs)

Description	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.3.2004	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2005	As at 31.3.2004	For the year	Deductions/ Adjustments	As at 31.3.2005	As at 31.3.2005	As at 31.3.2004
Land	2,580.92	167.36	-	<b>2,748.28</b>	-	-	-	-	<b>2,748.28</b>	2,580.92
Buildings	5,825.37	-	-	<b>5,825.37</b>	1,111.17	135.58	-	<b>1,246.75</b>	<b>4,578.62</b>	4,714.20
Plant and machinery	107,688.79	2,368.84	-	<b>110,057.63</b>	63,090.54	6,575.43	-	<b>69,665.97</b>	<b>40,391.66</b>	44,598.25
Furnitures and fixtures	141.14	4.72	0.46	<b>145.40</b>	89.27	7.88	0.37	<b>96.78</b>	<b>48.62</b>	51.87
Office and other equipment	774.31	49.29	0.15	<b>823.45</b>	411.34	50.20	0.12	<b>461.42</b>	<b>362.03</b>	362.97
Vehicles	270.95	-	3.85	<b>267.10</b>	140.73	35.59	3.66	<b>172.66</b>	<b>94.44</b>	130.22
Ships - Barges	96.00	-	-	<b>96.00</b>	56.65	6.61	-	<b>63.26</b>	<b>32.74</b>	39.35
	<b>117,377.48</b>	<b>2,590.21</b>	<b>4.46</b>	<b>119,963.23</b>	<b>64,899.70</b>	<b>6,811.29</b>	<b>4.15</b>	<b>71,706.84</b>	<b>48,256.39</b>	
Previous year	118,878.34	3,825.45	5,326.31	<b>117,377.48</b>	61,858.59	6,554.07	3,512.96	<b>64,899.70</b>		52,477.78
Capital work in progress including materials at stores and advances against capital expenditure (Refer Note 23)									<b>6,457.73</b>	5,023.16
									<b>54,714.12</b>	57,500.94



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**INVESTMENTS**

**SCHEDULE - 6**  
(Rupees in Lacs)

	<b>As at March 31, 2005</b>	<b>As at March 31, 2004</b>
<b>Long Term Investments</b>		
<b>Shares, debentures and bonds.</b>		
<b>Trade (at cost) (quoted)</b>		
Henkel SPIC India Limited 1,93,95,900 equity shares of Rs.10 each	<b>4,202.45</b>	4,202.45
Standard Motor Products of India Limited 40,00,000 equity shares of Rs.10 each (cost Rs.400 lacs less provision for diminution in value of Rs 400 lacs)	-	-
Tamilnadu Newsprint and Papers Limited 2,57,260 (Previous year 14,90,000) equity shares of Rs 10 each	<b>282.99</b>	1,639.00
Less : Provision for diminution in value	<b>131.98</b>	700.00
	<b>151.01</b>	939.00
<b>Trade (at cost) (unquoted)</b>		
<b>Subsidiary company:</b>		
Certus Investment & Trading Limited, Mauritius 2,04,000 (Previous year 1,42,750) equity shares of US dollar 100 each (61,250 equity shares allotted during the year)	<b>9,636.40</b>	6,867.65
SPIC Electric Power Corporation Private Limited 2,76,44,955 equity shares of Rs.10 each	<b>2,764.50</b>	2,764.50
Leo Utility and Power Limited 47,500 equity shares of Rs. 10 each	<b>4.75</b>	4.75
<b>Associate Companies</b>		
Petro Araldite Private Limited 13,68,000 equity shares of Rs 100 each	<b>1,368.00</b>	1,368.00
	<b>18,127.11</b>	16,146.35
Aggregate value of unquoted investments	<b>13,773.65</b>	11,004.90
Aggregate value of quoted investments (net of provisions)	<b>4,353.46</b>	5,141.45
Market value of quoted investments	<b>4,262.94</b>	4,153.95

**CURRENT ASSETS, LOANS AND ADVANCES****SCHEDULE - 7**  
(Rupees in Lacs)

	<b>As at March 31 2005</b>	<b>As at March 31 2004</b>
<b>A. CURRENT ASSETS:</b>		
<b>Inventories</b>		
Stores	2,590.80	2,482.46
Loose tools	0.21	1.50
Raw materials	1,925.32	2,977.42
Work in process	639.39	897.27
Finished goods	5,195.81	1,624.90
	<hr/>	<hr/>
	<b>10,351.53</b>	7,983.55
<b>Sundry debtors (Unsecured)</b>		
Outstanding over six months		
Considered good	755.84	1,680.30
Considered doubtful	29.21	118.96
	<hr/>	<hr/>
	<b>785.05</b>	1,799.26
Outstanding under six months		
Considered good	4,641.06	3,387.71
	<hr/>	<hr/>
	<b>5,426.11</b>	5,186.97
Less : Provision for doubtful debts	29.21	118.96
	<hr/>	<hr/>
	<b>5,396.90</b>	5,068.01
<b>Cash and bank balances</b>		
Cash on hand	1.86	1.97
Cheques on hand	358.99	668.96
With scheduled banks:		
On current accounts	836.23	1,096.74
On deposit accounts	1.00	1,612.99
On margin money account	101.45	6.63
	<hr/>	<hr/>
	<b>1,299.53</b>	3,387.29
<b>B. LOANS AND ADVANCES:</b>		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received	4,975.05	7,202.05
Less : Provision for doubtful advances	125.23	-
	<hr/>	<hr/>
	<b>4,849.82</b>	7,202.05
Balances with excise and customs authorities	480.68	651.08
	<hr/>	<hr/>
	<b>5,330.50</b>	7,853.13
	<hr/>	<hr/>
	<b>22,378.46</b>	24,291.98
	<hr/>	<hr/>





## CURRENT LIABILITIES AND PROVISIONS

## SCHEDULE - 8 (Rupees in Lacs)

	<b>As at March 31 2005</b>	<b>As at March 31 2004</b>
<b>A. CURRENT LIABILITIES</b>		
Acceptances	-	540.56
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	<b>0.37</b>	0.75
- Others	<b><u>10,450.65</u></b>	<b><u>8,046.32</u></b>
	<b>10,451.02</b>	8,047.07
Unpaid dividends	<b>163.70</b>	167.29
Interest accrued but not due	-	116.01
Advances received from customers	<b>2,031.24</b>	36.10
	<b><u>12,645.96</u></b>	<b><u>8,907.03</u></b>
<b>B. PROVISIONS</b>		
Provision for leave encashment	<b>180.01</b>	150.65
Proposed dividend	<b>899.71</b>	1,124.64
Taxation (net)	<b>180.37</b>	605.74
	<b><u>1,260.09</u></b>	<b><u>1,881.03</u></b>
	<b><u>13,906.05</u></b>	<b><u>10,788.06</u></b>

Note : There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as at 31st March 2005.

## OTHER INCOME

## SCHEDULE - 9 (Rupees in Lacs)

	<b>Year ended March 31 2005</b>	<b>Year ended March 31 2004</b>
Scrap Sales	<b>342.34</b>	185.33
Dividend from trade investments	<b>40.98</b>	52.43
Exchange difference (net)	<b>7.35</b>	-
Rent	<b>247.15</b>	251.52
Profit on sale of assets (net)	<b>0.29</b>	-
Miscellaneous income	<b>37.86</b>	49.67
	<b><u>675.97</u></b>	<b><u>538.95</u></b>

**MANUFACTURING AND OTHER EXPENSES****SCHEDULE - 10**

(Rupees in Lacs)

	Year ended March 31 2005		Year ended March 31 2004
Raw materials and Intermediates consumed	36,852.21		27,206.06
Purchase of traded goods	5,017.50		624.76
Stores and spare parts consumed	2,503.35		3,253.84
Utilities consumed	846.96		918.38
Power and fuel	11,803.66		11,795.91
Payments to and provisions for employees			
Salaries and allowances	1,416.14		1,409.93
Contribution to Provident and other funds	183.01		182.20
Staff welfare	347.96		387.15
Travel and conveyance	206.20		238.68
Insurance	459.96		500.64
Rent	111.26		277.55
Rates and taxes	444.78		363.01
Repairs and maintenance			
Machinery	727.65	615.21	
Buildings	90.79	165.16	
Others	185.99	279.49	
	<u>1,004.43</u>	<u>1,059.86</u>	
Discounts	3,859.72		4,067.83
Commission	335.65		515.26
Freight	1,963.40		1,539.38
Directors' sitting fees	10.45		5.90
Provision for doubtful debts / advances	35.48		118.96
Bad debts / advances written off	118.96		37.39
Exchange fluctuation (net)	-		200.69
Loss on sale/scrapping of assets (net)	-		2.61
Legal and Professional charges	224.94		209.49
Miscellaneous expenses	628.65		551.87
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods (Increase) / Decrease in work in process and finished goods	555.88		41.11
Opening Stock			
Work in process	897.27	545.78	
Finished goods	1,624.90	1,160.51	
	<u>2,522.17</u>	<u>1,706.29</u>	
Closing Stock			
Work in process	639.39	897.27	
Finished goods	5,195.81	1,624.90	
	<u>5,835.20</u>	<u>2,522.17</u>	
	<b>(3,313.03)</b>		<b>(815.88)</b>
	<u><b>65,617.52</b></u>		<u><b>54,692.58</b></u>



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## INTEREST

## SCHEDULE - 11 (Rupees in Lacs)

	Year ended March 31 2005		Year ended March 31 2004
Interest expenses			
- on fixed period loans	2,346.79		3,174.55
- others	<u>690.09</u>		<u>623.45</u>
	<u>3,036.88</u>		<u>3,798.00</u>
	<b>3,036.88</b>		<b>3,798.00</b>
Less : Interest income			
- On bank and intercorporate deposits (Tax Deducted at source Rs. 30.79 lacs; Previous year Rs. 25.69 lacs)	114.03		127.18
- On others	<u>3.89</u>		<u>5.43</u>
	<u>117.92</u>		<u>132.61</u>
	<b>2,918.96</b>		<b>3,665.39</b>
Less : Interest capitalised	<u>221.52</u>		<u>172.41</u>
	<u><b>2,697.44</b></u>		<u><b>3,492.98</b></u>

## SCHEDULE - 12

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

#### 1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention (except for revaluation of certain fixed assets as stated below) and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

The significant accounting policies followed by the company are as stated below:

#### I FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price (net of rebates and discounts), import duties, levies (net of cenvat) and any directly attributable cost of bringing the assets to its working condition for its intended use. Certain assets have been revalued as on 31st March, 1996 and the resultant surplus has been added to the cost of the assets.

Depreciation is provided on a prorata basis, from the date the assets have been installed and put to use, on a straight line method at the rates and in the manner specified under Schedule XIV to the Companies Act, 1956 except as stated below:

Based on a technical evaluation carried out by the Management the life of the plant and machinery used in the Epichlorohydrin plant has been determined as 10 years as against 18 years computed based on depreciation rates specified in Schedule XIV to the Companies Act, 1956. Consequently depreciation on the said plant has been provided accordingly.

#### II IMPAIRMENT OF FIXED ASSETS

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

#### III FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Foreign currency liabilities (incurred for the acquisition of fixed assets) are translated at exchange rates prevailing on the last day of the accounting year. The loss or gain arising out of the said translation is adjusted to the cost

of the assets. In case of forward contracts, the translation is done at forward contract rates and net gain or loss and the forward cover premium is also adjusted to the cost of the assets. Gains or losses on account of cancellation of forward cover contracts are also adjusted to the cost of the asset.

Foreign currency receivables/payables are translated on the same basis as above and gain or loss arising out of such translation are adjusted to the profit and loss account and forward cover premium is recognised over the life of the contract.

#### IV **INVESTMENTS**

Investments are valued at their acquisition cost. Provision for permanent diminution in value has been made, wherever necessary.

#### V **INVENTORIES**

Inventories are valued at lower of cost and net realisable value except stores and loose tools, which are valued at cost. The method of determination of cost of various categories of inventories are as follows:

- a. Stores and loose tools at moving weighted average rates.
- b. Raw materials at moving weighted average rates.
- c. Work-in-process and finished goods at full absorption costing method.

#### VI **REVENUE RECOGNITION**

Sales is recognised at the point of despatch of materials to customers from plant and stock points.

#### VII **RETIREMENT BENEFITS**

Contribution to provident fund is made monthly, at a predetermined rate, to the provident fund trust and debited to the profit and loss account on an accrual basis. The company has an arrangement with Life Insurance Corporation of India (LIC) to administer its superannuation and gratuity schemes. Contribution to the superannuation scheme is made annually at a predetermined rate while the premium paid/payable for gratuity is determined based on an actuarial valuation carried out by LIC, and are debited to the profit and loss account on an accrual basis. Provision for leave encashment on retirement is made on an actuarial basis.

#### VIII **TAXES ON INCOME**

In accordance with the provisions of the Income Tax Act 1961, current tax is determined as the amount of tax payable to the taxation authorities in respect of taxable income for the year.

Deferred tax is accounted for under the liability method, subject to the consideration of prudence for deferred tax assets, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

#### IX **CONTINGENT LIABILITIES**

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the Notes to the Accounts.

- 2 In December 1993, the company came out with Rights cum Public Issue of Equity Shares. The difference between issued and subscribed capital of 5,425 shares (previous year 5,425 shares) is due to said shares kept in abeyance under Section 206 A of the Companies Act, 1956.
- 3 Loans and advances include Rs.128.68 lacs (previous year Rs. 1,978.97 lacs) to be adjusted against equity shares to be issued by Leo Utility and Power Limited, Vopak Sical Terminal Limited and Certus Investment & Trading Ltd., Mauritius which are promoted by the Company.
- 4 Research and development expenses incurred on revenue account is Rs.13.42 lacs. (Previous year Rs.13.35 lacs).
- 5
  - a) Fixed Assets (other than furniture and fixtures, office and other equipment, vehicles, ships-barges, certain land and plant and machinery) have been revalued as on 31st March 1996 on the basis of "Existing Use value" by independent professional valuers. The resultant surplus on such revaluation over the written down value of these assets amounting to Rs. 21,409.20 lacs has been credited to revaluation reserve as on 31st March 1996.
  - b) The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs.1,829.25 lacs (previous year Rs.1,829.25 lacs) representing extra depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.



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(Rs.in Lacs)

6 Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)

7 **Contingent Liabilities**

a) Bills discounted

b) Other claims not acknowledged as debts

i) **Sales tax**

a) The Commercial Tax Department, based on certain observation of the records, disallowed the claim for exemption of turnover arising on account of stock transfers to branches effected by the Company during the years 1993-94 to 1996-97. The Company has preferred an appeal against the Order contesting the generalisation of the observation. The aggregate demand in this regard is Rs. 7,781.01 lacs (Rs. 1,789.35 lacs). There is no possibility of reimbursements from the customers, etc., as these demands relate to stock transfers.

b) The Commercial Tax Department while completing the assessments under the Tamilnadu General Sales Tax Act for the years 1994-95 & 1995-96, has questioned the genuineness of the declarations filed by certain customers for availing concessional rate of tax. The Company has disputed the claims and has preferred an appeal against the Order of the Department before the Tribunal. The aggregate demand in this regard is Rs. 1,007.07 lacs (Rs. 28.92 lacs). In case the declarations are found to be not genuine the Company has recourse to only the existing customers for reimbursement.

ii) **Excise duty**

iii) **Service Tax**

The above amounts regarding excise duty and services tax are based on demands raised which the company is contesting with the concerned authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the company's rights for future appeals. No reimbursements are expected.

8 **Dividend paid in foreign currency**

Number of shareholders

Number of shares held

Amount of dividend paid (Rs. lacs)

Dividend for the year ended

9 **Managerial Remuneration**

Wholetime Directors' remuneration\*

Non-Wholetime Directors - Commission

Directors' Sitting Fee

	As at March 31 2005	As at March 31 2004
	602.55	980.59
a) Bills discounted	306.05	668.32
b) Other claims not acknowledged as debts	8,824.62	1,866.90
ii) <b>Excise duty</b>	1,053.14	412.29
iii) <b>Service Tax</b>	6.21	-
8 <b>Dividend paid in foreign currency</b>		
Number of shareholders	17	18
Number of shares held	1,923,400	1,992,300
Amount of dividend paid (Rs. lacs)	24.04	24.90
Dividend for the year ended	March 31,2004	March 31,2003
9 <b>Managerial Remuneration</b>		
Wholetime Directors' remuneration*	32.15	43.98
Non-Wholetime Directors - Commission	8.33	7.08
Directors' Sitting Fee	10.45	5.90
	<b>50.93</b>	<b>56.96</b>

\*Rs. 6.00 lacs is subject to shareholders approval.

10 **Computation of net profit under Section 198 of the Companies Act, 1956**

(Rs. in lacs)

	<b>Year ending March 31 2005</b>	Year ending March 31 2004
Profit before taxation as per profit and loss account	<b>689.18</b>	3,636.01
Add: Depreciation as per accounts	<b>4,982.04</b>	4,724.82
Managerial remuneration	<b>50.93</b>	56.96
Provision for doubtful debts / advances	<b>35.48</b>	118.96
Provision for diminution in value of investments (net)	<b>(38.13)</b>	100.00
(Profit)/Loss on sale of assets (net) as per accounts	<b>(0.29)</b>	2.61
	<b>5,719.21</b>	8,639.36
Less: Depreciation under section 350 of the Companies Act, 1956	<b>4,217.13</b>	3,885.87
(Profit)/Loss on sale of assets (net) as per Section 349 of the Companies Act, 1956	<b>(0.29)</b>	2.61
Net Profit in terms of Section 198 of the Companies Act, 1956	<b>1,502.37</b>	4,750.88
Commission payable to Wholetime Directors, restricted to Maximum commission to Non Wholetime Directors @ 1% Restricted to	<b>4.80</b> <b>15.02</b> <b>8.33</b>	11.17 47.51 7.08
<b>11 Auditor's remuneration</b>		
Audit fee	<b>11.00</b>	10.00
Other services	<b>2.00</b>	2.36
Reimbursement of expenses / levies	<b>1.80</b>	2.56
<b>12 CIF Value of imports</b>		
Capital goods	<b>361.71</b>	552.29
Intermediates	<b>6,156.82</b>	2,027.19
Raw materials	<b>265.04</b>	2,079.97
Stores and spares	<b>1,163.08</b>	913.69
Traded goods	<b>2,261.12</b>	-
<b>13 Expenditure in foreign currency</b>		
Travel and training	<b>11.51</b>	14.57
Interest and commitment charges	-	3.54
Technical fees	<b>357.67</b>	82.92
Others	<b>64.76</b>	279.74
<b>14 Earnings in foreign exchange</b>		
Export of goods on FOB basis	<b>4,534.51</b>	5,236.24

**15 Capacity and Production**

Class of Goods	Unit of measurement	Licensed Capacity		Installed Capacity*		Actual production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Linear Alkly Benzene	MT	**	**	95,000	95,000	90,870	100,420
Heavy Normal Paraffin	MT	**	**	15,000	15,000	6,071	294
Heavy Alkylate	MT	**	**	N.A.	N.A.	5,010	5,521
Epichlorohydrin	MT	**	**	10,000	10,000	10,500	9,381
Wind Power	KW/Units	N.A.	N.A.	12,000 (KW)	12,000 (KW)	18,662,441 (Units)	20,207,504 (Units)
Caustic Soda	MT	**	**	56,100	56,100	59,528	59,342
Chlorine	MT	**	**	40,000	40,000	48,138	45,430
Hydrochloric acid	MT	**	**	39,600	39,600	24,633	35,812
Ammonium Chloride	MT	**	**	21,000	21,000	1,043	3,117

\* as certified by the management and relied on by the auditors without verification being a technical matter.

\*\* these products are delicensed.

N.A Not applicable

**16 (i) Raw materials and Intermediates consumed**

	Year ended March 31, 2005		Year ended March 31, 2004	
	% of total consumption	Value (Rs. lacs)	% of total consumption	Value (Rs. lacs)
Imported	21	7,674.56	25	6,668.19
Indigenous	79	29,177.65	75	20,537.87
	<b>100</b>	<b>36,852.21</b>	100	27,206.06
(ii) <b>Stores and Spare parts consumed</b>				
Imported	55	1,384.16	36	1,187.12
Indigenous	45	1,119.19	64	2,066.72
	<b>100</b>	<b>2,503.35</b>	100	3,253.84

**17 Purchase of Traded goods**

Unit of Measurement	Year ended March 31, 2005		Year ended March 31, 2004	
	Quantity	Value (Rs. lacs)	Quantity	Value (Rs. lacs)
Normal Paraffin	MT	6,534	1,576.43	-
Linear Alkyl Benzene	MT	5,588	3,441.07	996
		<b>5,017.50</b>		624.76

There are no opening and closing stocks of traded goods

18 (a) The Company has obtained exemption from the Government of India, Department of Company Affairs, vide Order No. 46/47/2005-CL-III dated 30th March, 2005 from giving information in respect of para 3(i)(a) and 3(ii)(a)(1)&(2) of part II of Schedule VI to the Companies Act, 1956.

(b) The Government of India, Department of Company Affairs vide its Order No. 47/30/2005-CL-III dated 21st March, 2005 issued under Section 212 (8) of the Companies Act, 1956 has directed that in relation to the Subsidiaries of the Company, the provision contained in Section 212(1) of the Companies Act, 1956 pursuant to which certain documents are required to be attached to the Company's accounts shall not apply for the current year.

19 Names of small scale industrial undertakings to whom the company owes any sum together with interest which is outstanding for more than 30 days

General Instruments Consortium

**20 Earnings per share**

	<b>Year ended March 31 2005</b>	Year ended March 31 2004
Profit after taxation (Rs. lacs)	<b>1,182.37</b>	2,221.07
Weighted number of equity shares outstanding	<b>89,971,474</b>	89,971,474
Basic earnings per share (Face value - Rs.10/- per share)	<b>1.31</b>	2.47
Profit after taxation (Rs. lacs)	<b>1,182.37</b>	2,221.07
Add: Interest on Floating Rate Convertible Notes (Net of tax impact)	-	1.85
Total	<b>1,182.37</b>	2,222.92
Weighted number of equity shares outstanding	<b>89,971,474</b>	89,971,474
Add: No of Equity Shares if Notes are converted	-	372,991
Total	<b>89,971,474</b>	90,344,465
Diluted earnings per share (Face value - Rs.10/- per share)	<b>1.31</b>	2.46





## 21. Related Party Disclosure under Accounting Standard - 18

- i) The list of related parties as identified by the management are as under
- |   |   |  |
|---|---|--|
| A) Promoters  | 1 | Southern Petrochemical Industries Corporation Limited                    |
|   | 2 | Tamilnadu Industrial Development Corporation Limited                     |
| B) Associate  |   | Petro Araldite Private Limited   |
| C) Subsidiaries   | 1 | Certus Investment and Trading Limited                                    |
|   | 2 | Certus Investment and Trading(S) Private Limited                         |
|   | 3 | SPIC Electric Power Corporation Private Limited                          |
|   | 4 | Leo Utility and Power Limited  |
| D) Joint Venture  |   | Gulf Petroproducts Company., E.C.  |
| E) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.  |   | None   |
| F) Key management personnel   | 1 | Thiru. RM.Muthukaruppan -<br>Managing Director & Chief Operating Officer |
|   | 2 | Thiru. V.Ramani -<br>Director & Chief Financial Officer                  |
| G) Enterprise over which any person described in (E) or (F) is able to exercise significant influence. This includes enterprises owned by Directors or major shareholders of the reporting enterprise that enterprise that have a member of key management personnel in common with the reporting enterprise. |   | None   |

## Related Party Transactions

The Company has identified all related parties and details of transactions are given below. No provision for doubtful debts or advances is required to be made and no amounts have been written off or written back during the year in respect of debts due from or to related parties. There are no other related parties where control exists that needs to be disclosed

ii) The following transactions were carried out with the Related Parties

(Rupees in lacs)

Sl. No.	Particulars	Promoters	Associate	Joint Venture	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP
1	Advance against equity			52.05 (-)			
	Certus Investments and Trading Limited				905.20 (1,802.18)		
	Leo Utility and Power Limited				13.28 (8.32)		
2	Investment						
	Certus Investments and Trading Limited				2,768.75* (2,068.32)		
	SPIC Electric Power Corporation Private Limited				- (2,764.00)		
	Leo Utility and Power Limited				- (4.75)		
3	Sale of goods	38.02 (44.63)	4,748.60 (4,055.07)				
	Certus Investments and Trading Limited				1,779.88 (3,836.73)		
4	Income from services rendered						
5	Interest paid						
6	Service/Consultancy charges	5.55 (1.62)					
7	Commission	97.66 (114.05)					
8	Managerial remuneration					32.15 (43.98)	
9	Rent paid	1.20 (1.00)					
10	Reimbursement of Expenses	22.71 (38.74)					
11	Sitting Fees	3.00 (2.25)					
12	Dividend Paid					0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	190.43 (190.43)					
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	198.05 (198.05)					
13	Purchase of raw materials						
14	Balance outstanding as of 31 <sup>st</sup> March 2005 (Net Dr.)	261.46 (473.00)	408.03 (415.31)	152.87 (100.82)	1,769.30 (4,403.31)	4.80 (11.19)	

\* Includes conversion into equity of advances made in earlier years of Rs.1,802.18 lacs (previous year Rs.2,068.32 lacs)

Transactions with promoters are with SPIC unless otherwise disclosed.

Figures in brackets are in respect of the previous year



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- 22 As at 31st March 2005, the company has investments of Rs.2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003. SEPC signed a Memorandum of Understanding with Tamilnadu Electricity Board (TNEB) in February 1995 for setting up a 525 MW coal based power project at Tuticorin, Tamilnadu. SEPC has obtained all statutory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement, TNEB have committed to provide Escrow. However, as there was a delay in allocation of Escrow by TNEB, SEPC filed a Writ Petition in the Madras High Court seeking a direction for early allocation of Escrow. The company is awaiting the outcome of the case. The company has, through sustained efforts for identifying a partner for implementing the project, during the year entered into a MOU with a party which provides for submission of a detailed technical specification and cost structure of the engineering, procurement, construction, erection and commissioning of the complete project and to develop a plan of finance for the project to achieve early financial closure. In view of these developments the management is hopeful of making progress in the project. As such, no provision for permanent diminution in the value of investment is considered necessary at this stage.
- 23 During the previous year, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. Various alternative uses of the equipments and drawings pertaining to this project amounting to Rs.1,793.07 Lacs, included in capital work in progress, is under consideration. The company expects to realise at least the book value of the said equipments and drawings.
- 24 Exceptional item represents loss on sale of investments (net) of Rs.529.90 lacs (previous year Rs.91.83 lacs) and writeback of provision for diminution in value of investments (net) of Rs.568.03 lacs (previous year provision of Rs.100 lacs)
- 25 During the year the company prematurely redeemed the 12% non-convertible debentures of Rs.10,000 lacs. The premium of Rs.673.53 lacs paid on redemption has been adjusted against the balance in securities premium account.

26 Joint Venture Disclosure

i) Interest in Joint Venture.

Name of Company	Country of incorporation	Proportion of ownership interest
Gulf Petroproduct Company., E.C.*	Bahrain	50%

\* Shareholding is through the wholly owned subsidiary, Certus Investment & Trading Limited

ii) Interest in the Assets, Liabilities, Income and Expenses with respect to the Joint Venture  
(Rs. in Lacs)

Particulars	Year ended 31.12.2004	Year ended 31.12.2003
I a) Net Fixed Assets	0.36	2.31
b) Cash and Bank Balances	3.99	3.44
c) Loans and Advances	1,495.65	1,430.35
II Current Liabilities and Provisions	1,132.12	1,135.45
III Expenses	1.82	2.76
Depreciation	0.55	0.67

**27 Details of Deferred tax asset / (liability) is as under**

	As at March 31 2004	Tax effect for the Year	<b>As at March 31 2005</b>
Deferred tax asset :			
Unabsorbed depreciation	-	42.43	<b>42.43</b>
Accrued expenses deductible on payment	88.85	57.09	<b>145.94</b>
Provision for doubtful debts / advances	42.33	9.65	<b>51.98</b>
	131.18	109.17	<b>240.35</b>
Deferred tax (liability):			
Fixed assets	(10,179.91)	396.47	<b>(9,783.44)</b>
Net deferred tax (liability)	(10,048.73)	505.64	<b>(9,543.09)</b>



**28. INFORMATION PURSUANT TO PART - IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details :**

Registration No.        
 Balance Sheet:        
 Date Month Year  
 State Code:

**II. Capital Raised during the Year (Amount in Rs.Thousands)**

Public Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>	Rights Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>
Bonus Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>	Private Placement	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)**

Total Liabilities	<input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="9"/>	Total Assets	<input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="9"/>
-------------------	--	--------------	--

**Sources of Funds**

Paid-up Capital	<input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="5"/>	Reserves & Surplus	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="7"/>
Secured Loans	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="2"/>	Unsecured Loans	<input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/>
Deferred Tax Liabilities (net)	<input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="9"/>		

**Application of Funds**

Net Fixed Assets	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="2"/>	Investments	<input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/>
Net Current Assets	<input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="1"/>	Misc Expenditure	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>
Accumulated Losses	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>		

**IV. Performance of Company (Amount in Rs.Thousands)**

Turnover (including other income)	<input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/>	Total Expenditure	<input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/>
Profit Before Tax	<input checked="" type="checkbox"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/>	Profit After Tax	<input checked="" type="checkbox"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="7"/>
Basic Earnings per Share in Rs	<input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/>	Dividend rate %	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>

**V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)**

Item Code No.	<input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/>
Product Description	<input type="text" value="L"/> <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="E"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="K"/> <input type="text" value="Y"/> <input type="text" value="L"/> <input type="text" value="B"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="Z"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="E"/>
Item Code No.	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Product Description:	<input type="text" value="E"/> <input type="text" value="P"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="H"/> <input type="text" value="L"/> <input type="text" value="O"/> <input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="H"/> <input type="text" value="Y"/> <input type="text" value="D"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="N"/>
Item Code No.	<input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="2"/>
Product Description	<input type="text" value="C"/> <input type="text" value="A"/> <input type="text" value="U"/> <input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="S"/> <input type="text" value="O"/> <input type="text" value="D"/> <input type="text" value="A"/>

29. Previous year's figures have been regrouped / recast, wherever necessary, to conform to current years classification.

For and on behalf of the Board

RAMESHRAM MISHRA  
 Dr. A. C. MUTHIAH  
 C. RAMACHANDRAN  
 RM. MUTHUKARUPPAN  
 V. RAMANI

Chairman  
 Vice Chairman  
 Director  
 Managing Director & COO  
 Director & CFO

M.B. GANESH  
 Secretary

Place : Chennai  
 Date : 7<sup>th</sup> June 2005

**STATEMENT REGARDING SUBSIDIARY COMPANIES, PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

Name of the Subsidiary Company	Certus Investment & Trading Limited	Certus Investment Trading(S) Private Limited (see foot note1)	SPIC Electric Power Corporation Private Limited (SEPC)	Leo Utility and Power Limited (LUPL)
1. The Financial Year of the Subsidiary Companies ended on	31st December, 2004	31st December, 2004	31st March, 2005	31st March, 2005
2. Date from which they became subsidiary Companies	30th October, 2001	10th November, 2004	26th September, 2003	25th August, 2003
3. a. Number of Shares held by Tamilnadu Petroproducts Limited in the subsidiaries at the end of the financial year of the Subsidiary Companies.	2,04,000 Equity Shares of the face value of US \$100 each fully paid up	1 Equity Shares of the face value of US \$1 each fully paid up held by Certus Investment & trading Limited	27,644,955 Equity Shares of the face value of Rs.10 each fully paid up	47,500 Equity Shares of the face value of Rs.10 each fully paid up
b. Extent of interest of holding Company at the end of the financial year of the Subsidiary Companies.	100.00%	100.00%	98.22%	95.00%
4. The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company				
a. Not dealt with in the Holding Company's Accounts :				
i) for subsidiary's financial year	US \$ 1,04,974 Rs. 47.24 lacs	US \$ (14,035) Rs. (6.32) lacs	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	US \$ 1,04,377 Rs. 49.58 lacs	Not Applicable	NIL	NIL
b. Dealt with in Holding Company's accounts				
i) for subsidiary's financial year	NIL	NIL	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	Not Applicable	NIL	NIL
5. Changes in the interest of the holding Company between the end of the financial year of the Subsidiary Company's and the end of the Holding Company's financial year				
Number of Equity shares allotted	NIL	NIL	Not Applicable	Not Applicable
Face Value				
Paid up value				
Extent of Share holding			Not Applicable	Not Applicable
6. Material changes between the end of the Subsidiary's financial year and the end of the Holding Company's Financial year.				
i) subsidiary's Fixed Assets	NIL	NIL	Not Applicable	Not Applicable
ii) subsidiary's Investments	NIL	NIL	Not Applicable	Not Applicable
iii) monies lent by the Subsidiary	NIL	NIL	Not Applicable	Not Applicable
iv) monies borrowed by the Subsidiary other than that of meeting current liabilities (advance towards equity)	NIL	NIL	Not Applicable	Not Applicable

Note :

1. 100% Subsidiary of Certus Investment & Trading Limited.

For and on behalf of the Board

RM. MUTHUKARUPPAN  
Managing Director & COO

V. RAMANI  
Director & CFO

M.B. GANESH  
Secretary

Place : Chennai.  
Date : 7<sup>th</sup> June 2005



## **Auditor's report to the Board of Directors of Tamilnadu Petroproducts Limited on the consolidated financial statements of Tamilnadu Petroproducts Limited**

We have audited the attached consolidated balance sheet of Tamilnadu Petroproducts Limited and its subsidiaries (TPL Group) as at March 31, 2005 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Tamilnadu Petroproducts Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries and joint venture whose financial statements reflect total assets of Rs. 16,916.06 lacs as at 31st March 2005 and total revenues of Rs.1,899.94 lacs and cash flows amounting to Rs. 953.16 lacs for the year then ended and associate whose financial statements reflect the TPL group's share of reserves and surplus of Rs.700.63 lacs (negative) including profit of Rs. 307.68 lacs for the year ended 31st March 2005. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of the other auditors. In respect of the associate company, we have relied on the unaudited financial statements as given by the management of that company.

We report that the consolidated financial statements have been prepared by the TPL Group's management in accordance with the requirements of the Accounting Standard AS 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

*(i) As stated in Note 12, no provision has been considered necessary by the management in respect of the net assets included in these accounts reflecting the value of investments of Rs. 2,764.50 lacs held by the holding company in its subsidiary, SPIC Electric Power Corporation Private Limited. In view of the considerable delay in the implementation of the project we are unable to express an opinion on the provision, if any, required in respect of the said net assets reflecting the value of the above referred investments.*

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and the unaudited financial statements of the associate and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph (i) above, the effect of which could not be determined*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) in the case of the consolidated balance sheet of the state of affairs of the TPL Group as at 31st March 2005;
- b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co  
Chartered Accountants

H.L. SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

Consolidated Balance Sheet of Tamilnadu Petroproducts Limited as at 31st March 2005 (Rupees in Lacs)

	SCHEDULE	As at March 31 2005	As at March 31 2004
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	32,056.45	33,976.80
		<u>41,053.60</u>	<u>42,973.95</u>
Advance towards share capital		1,003.24	1,052.74
Minority Interest		50.25	0.75
Loan Funds:			
Secured	3	27,546.62	27,311.33
Unsecured	4	1,886.01	5,106.92
		<u>29,432.63</u>	<u>32,418.25</u>
Deferred tax liabilities (net)		9,543.09	10,048.73
<b>TOTAL</b>		<u><b>81,082.81</b></u>	<u><b>86,494.42</b></u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets:	5		
Gross block		120,043.38	117,460.18
Less: Depreciation		<u>71,766.39</u>	<u>64,958.77</u>
Net Block		48,276.99	52,501.41
Capital work in progress		6,820.95	5,361.21
		<u>55,097.94</u>	<u>57,862.62</u>
INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD PENDING ALLOCATION	6	4,077.72	3,831.01
INVESTMENTS	7	5,020.83	5,501.14
CURRENT ASSETS, LOANS AND ADVANCES	8		
Inventories		10,351.53	7,983.55
Sundry debtors		5,450.09	5,117.12
Cash and bank balances		10,113.55	11,248.15
Loans and advances		6,764.19	7,421.98
		<u>32,679.36</u>	<u>31,770.80</u>
Less:CURRENT LIABILITIES AND PROVISIONS	9		
Current liabilities		14,530.83	10,586.46
Provisions		1,266.03	1,888.51
		<u>15,796.86</u>	<u>12,474.97</u>
Net current assets		16,882.50	19,295.83
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		3.82	3.82
<b>TOTAL</b>		<u><b>81,082.81</b></u>	<u><b>86,494.42</b></u>
Notes to the accounts	13		

As per our report of even date attached

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered Accountants

RAMESHRAM MISHRA  
Dr. A. C. MUTHIAH  
C. RAMACHANDRAN  
RM. MUTHUKARUPPAN  
V. RAMANI

Chairman  
Vice Chairman  
Director  
Managing Director & COO  
Director & CFO

M.B. GANESH  
Secretary

H.L.SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

Place : Chennai  
Date : 7<sup>th</sup> June 2005





TPL

**Consolidated Profit and Loss Account of Tamilnadu Petroproducts Limited**  
for the year ended 31st March 2005

(Rupees in Lacs)

	SCHEDULE	Year ended March 31 2005	Year ended March 31 2004
<b>INCOME</b>			
Sales and services		83,153.63	75,443.36
Less : Excise duty		9,761.49	9,210.93
Net Sales and services		<u>73,392.14</u>	<u>66,232.43</u>
Other income	10	675.97	551.58
		<u>74,068.11</u>	<u>66,784.01</u>
<b>EXPENDITURE</b>			
Manufacturing and other expenses	11	65,774.94	54,770.17
Interest (Net)	12	2,557.25	3,428.40
Depreciation for the year		6,811.84	6,554.74
Less: credit for amount withdrawn from revaluation reserve		<u>1,829.25</u>	<u>1,829.25</u>
		<u>4,982.59</u>	<u>4,725.49</u>
		<u>73,314.78</u>	<u>62,924.06</u>
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>753.33</b>	<b>3,859.95</b>
Exceptional items (see Note 14)		38.13	(191.83)
<b>PROFIT BEFORE TAXATION</b>		<b>791.46</b>	<b>3,668.12</b>
Provision for tax			
- current		58.98	1,407.12
- earlier years		(41.55)	-
- deferred		<u>(505.64)</u>	<u>14.94</u>
		<u>(488.21)</u>	<u>1,422.06</u>
<b>PROFIT AFTER TAXATION</b>		<b>1,279.67</b>	<b>2,246.06</b>
Share of Profit / (loss) of Associate		307.68	8.70
<b>Net Profit</b>		<b>1,587.35</b>	<b>2,254.76</b>
Transferred from Investment Allowance reserve account		-	1,123.00
Balance brought forward		<u>4,922.37</u>	<u>3,813.34</u>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>6,509.72</b>	<b>7,191.10</b>
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		-	800.00
Transfer from Debenture Redemption Reserve		(4,000.00)	-
Proposed dividends		899.71	1,124.64
Tax on dividends		126.19	144.09
Transfer to general reserve		-	200.00
Balance carried to balance sheet		<u>9,483.82</u>	<u>4,922.37</u>
		<u>6,509.72</u>	<u>7,191.10</u>
Earnings per share :			
Basic		1.76	2.51
Diluted		1.76	2.50

Notes to the accounts 13

Per our report of even date attached to the balance sheet

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered Accountants

H.L.SHAH  
Partner  
Place : Bangalore  
Date : 7<sup>th</sup> June 2005

RAMESHRAM MISHRA	Chairman	M.B. GANESH
Dr. A. C. MUTHIAH	Vice Chairman	Secretary
C. RAMACHANDRAN	Director	
RM. MUTHUKARUPPAN	Mg. Director & COO	
V. RAMANI	Director & CFO	
Place : Chennai		
Date : 7 <sup>th</sup> June 2005		

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

(Rupees in Lacs)

	For the year ended 31st March 2005	For the year ended 31st March 2004
<b>A Cash Flow from Operating Activities:</b>		
<i>Profit before tax</i>	791.46	3,668.12
Adjustment for		
Depreciation	4,982.59	4,725.49
Loss on sale / scrapping of fixed assets (net)	0.74	2.89
Loss on sale of investments (net)	529.90	91.83
Provision for diminution in value of investments (net)	(568.03)	100.00
Provision for doubtful debts / advances (net)	35.48	118.96
Bad debts / advances written off	118.96	37.39
Unrealised exchange gain (net)	30.75	(44.18)
Interest expense	2,815.36	3,625.59
Interest income	(258.11)	(197.19)
Income from investments	(40.98)	(52.43)
Translation adjustment on consolidation	20.98	(649.75)
	<b>7,667.64</b>	<b>7,758.60</b>
Operating profit before working capital changes	<b>8,459.10</b>	<b>11,426.72</b>
Adjustments for :		
(Increase)/Decrease in sundry debtors	(353.52)	5,486.58
(Increase)/Decrease in inventories	(2,367.98)	(1,620.78)
(Increase)/Decrease in loans and advances	438.20	1,414.76
Increase/(Decrease) in current liabilities and provisions	4,038.95	2,116.27
Miscellaneous expenditure	-	(0.33)
	<b>1,755.65</b>	<b>7,396.50</b>
Cash generated from operations	<b>10,214.75</b>	<b>18,823.22</b>
Direct taxes paid	(426.77)	(1,910.49)
<b>Net Cash from Operating Activities</b>	<b>9,787.98</b>	<b>16,912.73</b>
<b>B Cash Flow from Investing Activities:</b>		
Additions to fixed assets (including capital work in progress and advances)	(4,122.86)	(5,643.16)
Proceeds from sale of fixed assets	0.97	1.36
Proceeds from sale of investments	826.11	420.53
Income from investments	40.98	52.43
Interest received	266.24	251.50
Proceeds from Loans / Deposits with companies	135.04	190.00
Proceeds from issue of Share Capital	-	0.25
	<b>(2,853.52)</b>	<b>(4,727.09)</b>
<b>Net cash used in investing activities</b>	<b>(2,853.52)</b>	<b>(4,727.09)</b>



Cash Flow Statement for the year ended 31st March 2005 (continued)

(Rupees in Lacs)

	For the year ended 31st March 2005	For the year ended 31st March 2004
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from new borrowings (net)	21,770.17	19,737.25
Repayment of borrowings	(24,755.78)	(23,848.91)
Dividend paid	(1,128.23)	(1,134.69)
Dividend tax paid	(144.09)	(144.09)
Interest paid	(3,152.89)	(4,180.35)
Prepayment premium paid	(673.53)	-
	<u>(8,084.35)</u>	<u>(9,570.79)</u>
<b>Net cash used in financing activities</b>	<b>(8,084.35)</b>	<b>(9,570.79)</b>
<b>Net cash flows during the year (A+B+C)</b>	<b>(1,149.89)</b>	<b>2,614.85</b>
<b>Cash and cash equivalents (Opening balance)</b>	<b>11,258.14</b>	<b>8,622.37</b>
<b>Cash and cash equivalents on initial adoption of Subsidiary</b>	<b>-</b>	<b>20.92</b>
<b>Cash and cash equivalents (Closing balance)</b>	<b>10,108.25</b>	<b>11,258.14</b>

Note: Cash and cash equivalents excludes unrealised exchange gain of Rs. 5.30 lacs (previous year loss of Rs. 9.99 lacs)

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F.FERGUSON & CO.  
Chartered Accountants

RM. MUTHUKARUPPAN  
Managing Director &  
Chief Operating Officer

V. RAMANI  
Director &  
Chief Financial Officer

M.B. GANESH  
Secretary

H.L.SHAH  
Partner

Place : Bangalore  
Date : 7<sup>th</sup> June 2005

Place : Chennai  
Date : 7<sup>th</sup> June 2005

## SCHEDULES

### SHARE CAPITAL

### SCHEDULE - 1 (Rupees in Lacs)

	<b>As at March 31 2005</b>	As at March 31 2004
<b>Authorised</b>		
200,000,000 equity shares of Rs.10 each	<b><u>20,000.00</u></b>	<u>20,000.00</u>
<b>Issued</b>		
89,976,899 equity shares of Rs.10 each (Note 3)	<b><u>8,997.69</u></b>	<u>8,997.69</u>
<b>Subscribed and fully paid up</b>		
89,971,474 equity shares of Rs.10 each (Note 3)	<b><u>8,997.15</u></b>	<u>8,997.15</u>

### RESERVES AND SURPLUS

### SCHEDULE - 2 (Rupees in Lacs)

	Balance as at March 31 2004	Translation adjustment on Consolidation	Transfer from profit and loss account/additions during the year	Transfer to profit and loss account/ deductions during the year	Balance as at March 31 2005
Capital reserve	42.23 (42.23)	- (-)	- (-)	- (-)	42.23 (42.23)
Securities premium account (Note 15)	5,285.10 (5,285.10)	- (-)	- (-)	673.53 (-)	4,611.57 (5,285.10)
Debenture redemption reserve account	4,000.00 (3,200.00)	- (-)	- (800.00)	4,000.00 (-)	- (4,000.00)
Investment allowance reserve account	- (1,123.00)	- (-)	- (-)	- (1,123.00)	- (-)
Revaluation reserve account (Note 6)	6,593.53 (8,422.78)	- (-)	- (-)	1,829.25 (1,829.25)	4,764.28 (6,593.53)
Foreign currency translation reserve (on consolidation)	-742.32 (-92.57)	20.98 (-649.75)	- (-)	- (-)	-721.34 (-742.32)
General reserve	13,875.89 (14,834.48)	- (-)	- (200.00)	- (1,158.59)	13,875.89 (13,875.89)
Profit and loss account	4,922.37 (3,813.34)	- (-)	9,483.82 (4,922.37)	4,922.37 (3,813.34)	9,483.82 (4,922.37)
	<b>33,976.80 (36,628.36)</b>	<b>20.98 (-649.75)</b>	<b>9,483.82 (5,922.37)</b>	<b>11,425.15 (7,924.18)</b>	<b>32,056.45 (33,976.80)</b>

*Figures in brackets relate to previous year.*



TPL

**SECURED LOANS**

**SCHEDULE - 3**

(Rupees in Lacs)

As at March 31 2004

As at March 31 2005

Loans from financial institutions		
Term loans [Amounts due within one year Rs. 1,041.67 lacs (Previous year Rs.Nil)]	<b>10,000.00</b>	2,500.00
Loans from banks		
Term loans [Amounts due within one year Rs. 979.17 lacs (Previous year Rs.1,000.00 lacs)]	<b>5,160.88</b>	1,250.00
Others (Long term)		
[Amounts due within one year Rs. 1,375.00 lacs (Previous year Rs. 2,000.00)]	<b>5,500.00</b>	10,000.00
Others (Short term)	<b>6,885.74</b>	2,894.66
Non convertible debentures	<b>-</b>	10,666.67
	<b><u>27,546.62</u></b>	<b><u>27,311.33</u></b>

**Note :**

1. Loans of Rs.10,000.00 lacs (previous year Rs. 2,500.00 lacs) from financial institution are secured by a first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 & 3 below) ranking pari passu with the loans stated in note 2 (b) and 3 (a) below.
2. Loans from banks comprises of :
  - a. Term loan of Rs.250.00 lacs (previous year Rs. 1,250.00 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds.
  - b. Term loan of Rs.4,910.88 lacs (availed during the year) is secured by a first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 (a) & 3 below) ranking pari passu with the loans stated in note 1 & 3 (a).
3. Term loan (others) of Rs.5,500.00 lacs (previous year Rs. 10,000.00 lacs) is secured by
  - a. first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 2 above) ranking pari passu with the loans stated in note 1 & 2 (b).
  - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at Chlor Alkali Division of the Company and
  - c. Pledge of all the Equity Shares held by the Company in Henkel SPIC India Limited.
4. Other (short term) loans from banks of Rs. 6,885.74 lacs (previous year Rs. 2,894.66 lacs) are secured by hypothecation by way of charge on inventories both on hand and in transit, book debts and other receivables, both present and future, and further secured by way of joint mortgage by deposit of title deeds on second charge pari passu basis on immovable properties, both present and future, except for exclusive charges stated in Note 2 and 3 above.
5.
  - a. 13.5% debentures of Rs. 666.67 lacs outstanding at the beginning of the year were redeemed on the due dates during the year.
  - b. 12% debentures of Rs. 10,000.00 lacs outstanding at the beginning of the year were prematurely redeemed during the year.

**UNSECURED LOANS**

**SCHEDULE - 4**

(Rupees in Lacs)

As at March 31 2004

As at March 31 2005

Short term loans from banks	<b>1,000.00</b>	2,000.00
Commercial Paper*	<b>-</b>	2,500.00
Interest Free Sales Tax Loan	<b>886.01</b>	606.92
	<b><u>1,886.01</u></b>	<b><u>5,106.92</u></b>

\* Maximum amount outstanding at any time during the year Rs.3,000.00 lacs (Previous year Rs.4,500.00 lacs)

**FIXED ASSETS****SCHEDULE - 5**

(Rupees in Lacs)

Description	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.3.2004	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2005	As at 31.3.2004	For the year	Deductions/ Adjustments	As at 31.3.2005	As at 31.3.2005	As at 31.3.2004
Land	2,595.42	167.36	-	2,762.78	-	-	-	-	2,762.78	2,595.42
Buildings	5,825.37	-	-	5,825.37	1,111.17	135.58	-	1,246.75	4,578.62	4,714.20
Plant and machinery	107,688.79	2,368.84	-	110,057.63	63,090.54	6,575.43	-	69,665.97	40,391.66	44,598.25
Furnitures and fixtures	162.28	4.72	0.46	166.54	108.65	8.29	0.37	116.57	49.97	53.63
Office and other equipment	812.09	49.46	0.15	861.40	446.14	50.81	0.12	496.83	364.57	365.95
Vehicles	276.15	-	3.85	272.30	143.85	35.82	3.66	176.01	96.29	132.30
Ships - Barges	96.00	-	-	96.00	56.65	6.61	-	63.26	32.74	39.35
Group share in joint venture	4.08	-	2.72	1.36	1.77	0.55	1.32	1.00	0.36	2.31
	117,460.18	2,590.38	7.18	120,043.38	64,958.77	6,813.09	5.47	71,766.39	48,276.99	
Previous year	118,883.03	3,906.24	5,329.09	117,460.18	61,859.92	6,556.74	3,457.89	64,958.77		52,501.41
Capital work in progress including materials at stores and advances against capital expenditure (Refer Note 13)									6,820.95	5,361.21
									55,097.94	57,862.62

Depreciation for the year includes Rs.1.25 lacs in respect of SPIC Electric Power Corporation Private Limited and Leo Utility and Power Limited grouped under Schedule 6.

**INCIDENTAL EXPENDITURE DURING CONSTRUCTION  
PERIOD PENDING ALLOCATION****SCHEDULE - 6**

(Rupees in Lacs)

	As at March 31, 2005	As at March 31, 2004
Payment to and provision for employees		
Salaries and allowances	439.69	429.78
Contribution to provident and other funds	33.74	33.56
Staff welfare	51.35	49.73
	<u>524.78</u>	<u>513.07</u>
Repairs and maintenance - others	36.43	35.38
Land lease rent	1,015.22	792.56
Rent, rates and taxes	130.80	130.71
Professional fees	1,611.80	1,611.27
Travel	266.11	265.47
Directors sitting fees	5.09	4.26
Miscellaneous expenditure	383.97	376.02
Depreciation	144.05	142.80
Loss on sale of assets	3.48	3.48
	<u>4,121.73</u>	<u>3,875.02</u>
Less : Interest on deposits	44.01	44.01
	<u>4,077.72</u>	<u>3,831.01</u>

**INVESTMENTS****SCHEDULE - 7**

(Rupees in Lacs)

	As at March 31, 2005	As at March 31, 2004
<b>Long Term Investments</b>		
<b>Shares, debentures and bonds.</b>		
<b>Trade (at cost) (quoted)</b>		
Henkel SPIC India Limited		
1,93,95,900 equity shares of Rs.10 each	4,202.45	4,202.45
Standard Motor Products of India Limited		
40,00,000 equity shares of Rs.10 each (cost Rs 400 lacs less provision for diminution in value of Rs. 400 lacs)	-	-
Tamilnadu Newsprint and Papers Limited		
2,57,260 (Previous year 14,90,000) equity shares of Rs 10 each	282.99	1,639.00
Less : Provision for diminution in value	131.98	700.00
	<u>151.01</u>	<u>939.00</u>
<b>Trade (at cost) (unquoted)</b>		
<b>Associate Companies (accounted on equity method)</b>		
Petro Araldite Private Limited	667.37	359.69
13,68,000 equity shares of Rs 100 each		
	<u>5,020.83</u>	<u>5,501.14</u>
Aggregate value of unquoted investments	667.37	359.69
Aggregate value of quoted investments (net of provisions)	4,353.46	5,141.45
Market value of quoted investments	4,262.94	4,153.95



**CURRENT ASSETS, LOANS AND ADVANCES**

**SCHEDULE - 8**  
(Rupees in Lacs)

	<b>As at March 31 2005</b>		<b>As at March 31 2004</b>
<b>A. CURRENT ASSETS:</b>			
<b>Inventories</b>			
Stores	2,590.80	2,482.46	
Loose tools	0.21	1.50	
Raw materials	1,925.32	2,977.42	
Work in process	639.39	897.27	
Finished goods	5,195.81	1,624.90	
	<u>10,351.53</u>	<u>7,983.55</u>	
<b>Sundry debtors (Unsecured)</b>			
Outstanding over six months			
Considered good	809.03	1,729.41	
Considered doubtful	29.21	118.96	
	<u>838.24</u>	<u>1,848.37</u>	
Outstanding under six months			
Considered good	4,641.06	3,387.71	
	<u>5,479.30</u>	<u>5,236.08</u>	
Less : Provision for doubtful debts	29.21	118.96	
	<u>5,450.09</u>	<u>5,117.12</u>	
<b>Cash and bank balances</b>			
Cash on hand	1.88	2.09	
Cheques on hand	358.99	668.96	
With scheduled banks:			
On current accounts	840.48	1,107.29	
On deposit accounts	1.00	1,620.44	
On margin money account	101.45	6.63	
With non scheduled banks on current account	8,805.76	7,839.30	
Group share in cash and bank balances of joint venture	3.99	3.44	
	<u>10,113.55</u>	<u>11,248.15</u>	
<b>B. LOANS AND ADVANCES:</b>			
(Unsecured)			
Advances recoverable in cash or in kind or for value to be received	4,913.09	5,340.55	
Less : Provision for doubtful advances	125.23	-	
	<u>4,787.86</u>	<u>5,340.55</u>	
Balances with excise and customs authorities	480.68	651.08	
Group share in loans and advances of joint venture	1,495.65	1,430.35	
	<u>6,764.19</u>	<u>7,421.98</u>	
	<u>32,679.36</u>	<u>31,770.80</u>	

**CURRENT LIABILITIES AND PROVISIONS****SCHEDULE - 9**

(Rupees in Lacs)

	<b>As at March 31 2005</b>	<b>As at March 31 2004</b>
<b>A. CURRENT LIABILITIES</b>		
Acceptances	-	540.56
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	<b>0.37</b>	0.75
- Others	<b><u>11,203.40</u></b>	<b><u>8,590.30</u></b>
	<b>11,203.77</b>	8,591.05
Unpaid dividends	<b>163.70</b>	167.29
Interest accrued but not due	-	116.01
Advances received from customers	<b>2,031.24</b>	36.10
Group share in current liabilities of joint venture	<b><u>1,132.12</u></b>	<b><u>1,135.45</u></b>
	<b><u>14,530.83</u></b>	<b><u>10,586.46</u></b>
<b>B. PROVISIONS</b>		
Provision for leave encashment	<b>180.81</b>	151.12
Proposed dividend	<b>899.71</b>	1,124.64
Taxation (net)	<b>185.51</b>	612.75
	<b><u>1,266.03</u></b>	<b><u>1,888.51</u></b>
	<b><u>15,796.86</u></b>	<b><u>12,474.97</u></b>

Note : There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as at 31st March 2005.

**OTHER INCOME****SCHEDULE - 10**

(Rupees in Lacs)

	<b>Year ended March 31 2005</b>	<b>Year ended March 31 2004</b>
Scrap Sales	<b>342.34</b>	185.33
Dividend from trade investments	<b>40.98</b>	52.43
Exchange difference (net)	<b>7.35</b>	-
Rent	<b>247.15</b>	251.52
Profit on sale of assets (net)	<b>0.29</b>	-
Miscellaneous income	<b>37.86</b>	62.30
	<b><u>675.97</u></b>	<b><u>551.58</u></b>





## MANUFACTURING AND OTHER EXPENSES

## SCHEDULE - 11 (Rupees in Lacs)

	Year ended March 31 2005		Year ended March 31 2004
Raw materials and Intermediates consumed	36,852.21		27,206.06
Purchase of traded goods	5,048.65		624.76
Stores and spare parts consumed	2,503.35		3,253.84
Utilities consumed	846.96		918.38
Power and fuel	11,803.66		11,795.91
Payments to and provisions for employees			
Salaries and allowances	1,416.14		1,409.93
Contribution to Provident and other funds	183.01		182.20
Staff welfare	347.96		387.15
Travel and conveyance	208.11		238.68
Insurance	459.96		500.64
Rent	120.47		280.50
Rates and taxes	444.78		363.01
Repairs and maintenance			
Machinery	727.65	615.21	
Buildings	90.79	165.16	
Others	185.99	279.49	
	<u>1,004.43</u>		1,059.86
Discounts	3,859.72		4,067.83
Commission	335.65		515.26
Freight	1,963.40		1,526.98
Directors' sitting fees	10.45		5.90
Provision for doubtful debts / advances	35.48		118.96
Bad debts / advances written off	118.96		37.39
Exchange fluctuation (net)	5.21		200.64
Loss on sale/scraping of assets (net)	-		2.61
Legal and Professional charges	319.13		209.49
Miscellaneous expenses	642.58		636.20
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	555.88		41.11
(Increase) / Decrease in work in process and finished goods			
Opening Stock			
Work in process	897.27	545.78	
Finished goods	1,624.90	1,160.51	
	<u>2,522.17</u>	<u>1,706.29</u>	
Closing Stock			
Work in process	639.39	897.27	
Finished goods	5,195.81	1,624.90	
	<u>5,835.20</u>	<u>2,522.17</u>	
Group share in joint venture	(3,313.03)		(815.88)
	1.82		2.76
	<u>65,774.94</u>		<u>54,770.17</u>

**INTEREST****SCHEDULE - 12**

(Rupees in Lacs)

	Year ended March 31, 2005	Year ended March 31, 2004
Interest expenses		
- on fixed period loans	2,346.79	3,174.55
- others	690.09	623.45
	<u>3,036.88</u>	<u>3,798.00</u>
	<b>3,036.88</b>	3,798.00
Less : Interest income		
- On bank and intercorporate deposits	254.22	191.76
- On others	3.89	5.43
	<u>258.11</u>	<u>197.19</u>
	<b>2,778.77</b>	3,600.81
Less : Interest capitalised	<u>221.52</u>	<u>172.41</u>
	<b>2,557.25</b>	3,428.40

**SCHEDULE - 13**

**NOTES TO THE CONSOLIDATED ACCOUNTS OF TAMILNADU PETROPRODUCTS LIMITED  
FOR THE YEAR ENDED 31ST MARCH 2005**

- 1 The Consolidated Financial Statements relate to Tamilnadu Petroproducts Limited (the Company) and its subsidiaries, associates and joint venture (TPL Group). These Consolidated Financial Statements have been prepared in accordance with (AS-21) "Consolidated Financial Statements", (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" and (AS-27) "Financial Reporting of Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India.

The companies considered in these consolidated financial statements are :

Name of the Company	Relationship	Country of Incorporation	Proportion of ownership interest	Year ending / whether audited
Certus Investment & Trading Limited	Subsidiary	Mauritius	100%	31.12.2004 Audited
Certus Investment and Trading(S) Private Limited *	Subsidiary	Singapore	100%	31.12.2004 Audited
SPIC Electric Power Corporation Private Limited	Subsidiary	India	98.22%	31.03.2005 Audited
Leo Utility and Power Limited	Subsidiary	India	95.00%	31.03.2005 Audited
Gulf Petroproduct Company E.C. *	Joint Venture	Bahrain	50.00%	31.12.2004 Unaudited
Petro Araldite Private Limited	Associate	India	24.00%	31.03.2005 Unaudited

\* Shareholding is through a subsidiary, Certus Investment & Trading Limited

In respect of Certus Investment & Trading Limited and Certus Investment & Trading(S) Private Limited adjustments have been made for significant transactions for the period 01.01.2005 to 31.03.2005 based on information received from them. In respect of Gulf Petroproduct Company E.C. there are no significant transactions during the period 01-01-2005 to 31-03-2005.

**2 ACCOUNTING POLICIES**

The accounts are prepared under the historical cost convention (except for revaluation of certain fixed assets as stated below).



The significant accounting policies followed are as stated below :

#### **I FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price (net of rebates and discounts), import duties, levies (net of cenvat) and any directly attributable cost of bringing the assets to its working condition for its intended use. Certain assets have been revalued as on 31st March, 1996 and the resultant surplus has been added to the cost of the assets.

Depreciation is provided on a prorata basis, from the date the assets have been installed and put to use, on a straight line method at the rates and in the manner specified under Schedule XIV to the Companies Act, 1956 except as stated below:

Based on a technical evaluation carried out by the Management the life of the plant and machinery used in the Epichlorohydrin plant has been determined as 10 years as against 18 years computed based on depreciation rates specified in Schedule XIV to the Companies Act, 1956. Consequently depreciation on the said plant has been provided accordingly.

#### **II IMPAIRMENT OF FIXED ASSETS**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

#### **III FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions.

Foreign currency liabilities (incurred for the acquisition of fixed assets) are translated at exchange rates prevailing on the last working day of the accounting year. The loss or gain arising out of the said translation is adjusted to the cost of the assets. In case of forward contracts, the translation is done at forward contract rates and net gain or loss and the forward cover premium is also adjusted to the cost of the assets. Gains or losses on account of cancellation of forward cover contracts are also adjusted to the cost of the asset.

Foreign currency receivables/payables are translated on the same basis as above and gain or loss arising out of such translation are adjusted to the profit and loss account and forward cover premium has been recognised over the life of the contract.

#### **IV INVESTMENTS**

Investments are valued at their acquisition cost. Provision for permanent diminution in value has been made, wherever necessary.

#### **V INVENTORIES**

Inventories are valued at lower of cost and net realisable value except stores and loose tools, which are valued at cost. The method of determination of cost of various categories of inventories are as follows:

- a. Stores and loose tools at moving weighted average rates.
- b. Raw materials at moving weighted average rates.
- c. Work-in-process and finished goods at full absorption costing method.

#### **VI REVENUE RECOGNITION**

Sales is recognised at the point of despatch of materials to customers from plant and stock points.

#### **VII RETIREMENT BENEFITS**

Contribution to provident fund is made monthly, at a predetermined rate, to the provident fund trust and debited to the profit and loss account on an accrual basis. The company has an arrangement with Life Insurance Corporation of India (LIC) to administer its superannuation and gratuity schemes. Contribution to the superannuation scheme is made annually at a predetermined rate while the premium paid/payable for gratuity is determined based on an actuarial valuation carried out by LIC and are debited to the profit and loss account on an accrual basis. Provision for leave encashment on retirement is made on an actuarial basis.

#### **VIII TAXES ON INCOME**

In accordance with the provisions of the Income Tax Act 1961, current tax is determined as the amount of tax payable to the taxation authorities in respect of taxable income for the year.

Deferred tax is accounted for under the liability method, subject to the consideration of prudence for deferred tax assets, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

## IX CONTINGENT LIABILITIES

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the Notes to the Accounts.

- 3 In December 1993, the Company came out with Rights cum Public Issue of Equity Shares. The difference between issued and Subscribed capital of 5,425 shares (Previous year 5,425 shares) is due to said shares kept in abeyance under Section 206 A of the Companies Act, 1956.
- 4 Loans and advances include Rs.98.36 lacs (previous year Rs.98.36 lacs) to be adjusted against equity shares to be issued by Vopak Sical Terminal Ltd. which is promoted by the Company.
- 5 Research and development expenses incurred on revenue account is Rs.13.42 lacs. (Previous year Rs.13.35 lacs).
- 6 a) Fixed Assets of the Company (other than furniture and fixtures, office and other equipment, vehicles, ships-barges, certain land and plant and machinery) have been revalued as on 31st March 1996 on the basis of Existing Use value by independent professional valuers. The resultant surplus on such revaluation over the written down value of these assets amounting to Rs. 21,409.20 lacs has been credited to revaluation reserve as on 31st March 1996.
- b) The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs. 1,829.25 lacs (previous year Rs.1,829.25 lacs) representing extra depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.

(Rs.in Lacs)

	As at March 31 2005	As at March 31 2004
7 Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	602.55	980.59
8 <b>Contingent Liabilities</b>		
a) Bills discounted	306.05	668.32
b) Other claims not acknowledged as debts		
i) <b>Sales tax</b>	8,824.62	1,866.90
a) The Commercial Tax Department, based on certain observation of the records, disallowed the claim for exemption of turnover arising on account of stock transfers to branches effected by the Company during the years 1993-94 to 1996-97. The Company has preferred an appeal against the Order contesting the generalisation of the observation. The aggregate demand in this regard is Rs. 7,781.01 lacs (Rs. 1,789.35 lacs). There is no possibility of reimbursements from the customers, etc., as these demands relate to stock transfers.		
b) The Commercial Tax Department while completing the assessments under the Tamilnadu General Sales Tax Act for the years 1994-95 & 1995-96, has questioned the genuineness of the declarations filed by certain customers for availing concessional rate of tax. The Company has disputed the claims and has preferred an appeal against the Order of the Department before the Tribunal. The aggregate demand in this regard is Rs. 1,007.07 lacs (Rs. 28.92 lacs). In case the declarations are found to be not genuine the Company has recourse to only the existing customers for reimbursement.		
ii) <b>Excise duty</b>	1,053.14	412.29
iii) <b>Service Tax</b>	6.21	-
The above amounts regarding excise duty and services tax are based on demands raised which the company is contesting with the concerned authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the company's rights for future appeals. No reimbursements are expected.		
9 <b>Managerial Remuneration</b>		
Wholetime Directors' remuneration*	32.15	43.98
Non-Wholetime Directors - Commission	8.33	7.08
Directors' Sitting Fee	10.45	5.90
	<b>50.93</b>	56.96

\* Rs. 6.00 lacs is subject to shareholders approval.



#### 10. Earnings per share

	Year ended March 31 2005	Year ended March 31 2004
Net Profit (Rs. Lacs)	1,587.35	2,254.76
Weighted number of equity shares outstanding	89,971,474	89,971,474
Basic earnings per share (Rs.) (Face value - Rs.10/- per share)	1.76	2.51
Net Profit (Rs. Lacs)	1,587.35	2,254.76
Add: Interest on Floating Rate Convertible Notes (Net of tax impact)	-	1.85
Total	1,587.35	2,256.61
Weighted number of equity shares outstanding	89,971,474	89,971,474
Add: No of Equity Shares if Notes are converted	-	372,991
Total	89,971,474	90,344,465
Diluted earnings per share (Rs.) (Face value - Rs.10/- per share)	1.76	2.50

#### 11. Related Party Disclosure under Accounting Standard - 18

i) The list of related parties as identified by the Company are as under

- |  |   |
|--|---|
| A) Promoters   | 1 Southern Petrochemical Industries Corporation Limited<br>2 Tamilnadu Industrial Development Corporation Limited                 |
| B) Associate   | Petro Araldite Private Limited  |
| C) Joint Venture   | Gulf Petroproducts Company E.C.   |
| D) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.   | None  |
| E) Key Management Personnel  | 1 Thiru. RM.Muthukaruppan - Managing Director & Chief Operating Officer<br>2 Thiru. V.Ramani - Director & Chief Financial Officer |
| F) Enterprise over which any person described in (D) or (E) is able to exercise significant influence. This includes enterprises owned by Directors or major share holders of the reporting enterprise that enterprise that have a member of key management personnel in common with the reporting enterprise. | None  |

## Related Party Transactions

The Company has identified all related parties and details of transactions are given below. No provision for doubtful debts or advances is required to be made and no amounts have been written off or written back during the year in respect of debts due from or to related parties. There are no other related parties where control exists that need to be disclosed.

ii) The following transactions were carried out with the Related Parties (Rupees in lacs)

Sl. No.	Particulars	Promoters	Associate	Joint Venture	Key Management Personnel (KMP)	Relatives of KMP
1	Advance against equity			52.05 (-)		
2	Sale of goods	38.02 (44.63)	4,748.60 (4,055.07)			
3	Service/Consultancy charges	5.55 (1.62)				
4	Commission	97.66 (114.05)				
5	Managerial remuneration				32.15 (43.98)	
6	Rent paid	1.20 (1.00)				
7	Reimbursement of expenses	22.71 (38.74)				
8	Sitting Fees	3.00 (2.25)				
9	Dividend Paid				0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	190.43 (190.43)				
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	198.05 (198.05)				
10	Balance outstanding as of 31 March 2005 (Net Dr.)	261.46 (473.00)	408.03 (415.31)	152.87 (100.82)	4.80 (11.19)	- (-)

Transactions with promoters are with SPIC unless otherwise disclosed.  
Figures in brackets are in respect of the previous year.

- 12 As at 31st March 2005, the Company has investments of Rs.2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003. In these consolidated accounts the assets and liabilities of the said subsidiary have been incorporated which reflect the value of these investments. SEPC signed a Memorandum Of Understanding with Tamilnadu Electricity Board (TNEB) in February 1995 for setting up a 525 MW coal based power project at Tuticorin, Tamilnadu. SEPC has obtained all statutory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement, TNEB have committed to provide Escrow. However, as there was a delay in allocation of Escrow by TNEB, SEPC filed a Writ Petition in the Madras High Court seeking a direction to TNEB for early allocation of Escrow. The Company is awaiting the outcome of the case. The Company has, through sustained efforts for identifying a partner for implementing the project, during



the year entered into a MOU with a party which provides for submission of a detailed technical specification and cost structure of the engineering, procurement, construction, erection and commissioning of the complete project and to develop a plan of finance for the project to achieve early financial closure. In view of these developments the management is hopeful of making progress in the project. As such, no provision is considered necessary at this stage in respect of the net assets (mainly included in preoperative expenditure pending allocation amounting to Rs. 4,077.72 lacs - Schedule 6) reflecting the value of the above referred investments.

- 13 During the previous year, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. Various alternative uses of the equipments and drawings pertaining to this project amounting to Rs.1,793.07 Lacs, included in capital work in progress, is under consideration. The company expects to realise at least the book value of the said equipments and drawings.
- 14 Exceptional item represents loss on sale of investments (net) of Rs.529.90 lacs (previous year Rs.91.83 lacs) and writeback of provision for diminution in value of investments (net) of Rs.568.03 lacs (previous year provision of Rs.100 lacs).
- 15 During the year the company prematurely redeemed the 12% non-convertible debentures of Rs.10,000 lacs. The premium of Rs.673.53 lacs paid on redemption has been adjusted against the balance in securities premium account.
- 16 **Details of Deferred tax asset / (liability) is as under**

	As at March 31 2004	Tax effect for the Year	As at March 31 2005
Deferred tax asset :			
Unabsorbed depreciation	-	42.43	<b>42.43</b>
Accrued expenses deductible on payment	88.85	57.09	<b>145.94</b>
Provision for doubtful debts	42.33	9.65	<b>51.98</b>
	131.18	109.17	<b>240.35</b>
Deferred tax (liability):			
Fixed assets	(10,179.91)	396.47	<b>(9,783.44)</b>
Net deferred tax (liability)	(10,048.73)	505.64	<b>(9,543.09)</b>

- 17 Information disclosed in accordance with the Government of India, Department of Company Affairs, Order No. 47/34/2004-CL-III dated 28th April 2005

(Rupees in lacs)

Names of Subsidiaries

Particulars	Certus Investment & Trading Limited (includes its subsidiary, Certus Investments and Trading(S) Private Limited)		Leo Utility and Power Limited	SPIC Electric Power Corporation Private Ltd.
	Rupees in Lacs *	In USD		
Capital	8,922.96	20,400,000	5.00	2,814.50
Reserves	142.55	325,898	-	-
Total assets	10,851.96	24,810,158	29.44	4,535.95
Total liabilities	10,851.96	24,810,158	29.44	4,535.95
Investments	188.08	430,000	-	-
Turnover (including other income)	1,856.27	4,243,875	-	-
Profit before tax	101.85	232,851	-	-
Provision for taxation	4.97	11,367	-	-
Profit after tax	96.88	221,484	-	-
Proposed dividend	-	-	-	-

\* Translated at exchange rate prevailing as on 31.03.2005 - 1 USD = Rs. 43.74

- 18 Based on the principles for determination of segments given in Accounting Standard - 17 "Segment reporting", issued by the Institute of Chartered Accountants of India, the primary business segment is Industrial Intermediate Chemicals and power. Industrial Intermediate Chemicals comprises of Linear Alkyl Benzene, Epichlorohydrin and Chlor Alkalies which mainly have similar risks and returns.

**CONSOLIDATED SEGMENT INFORMATION**

(Rs. in Lacs)

(A)	Information about primary business segment	2005			2004		
		Industrial Intermediate chemicals	Power	Total	Industrial Intermediate chemicals	Power	Total
a)	REVENUE						
	Sales to external customers	73,392.14	-	73,392.14	66,232.43	-	66,232.43
	Other income	387.84	-	387.84	247.63	-	247.63
	Total revenue	73,779.98	-	73,779.98	66,480.06	-	66,480.06
b)	RESULT						
	Segment result	3,022.45	-	3,022.45	6,984.40	-	6,984.40
	Interest expense	-	-	(2,815.36)	-	-	(3,625.59)
	Interest income	-	-	258.11	-	-	197.19
	Income from investments	-	-	40.98	-	-	52.43
	Unallocated corporate income	-	-	247.15	-	-	251.52
	Income taxes including deferred tax	-	-	488.21	-	-	(1,422.06)
	Exceptional items	-	-	38.13	-	-	(191.83)
	Profit after tax	-	-	1,279.67	-	-	2,246.06
	Share of profit / (loss) of Associate company	-	-	307.68	-	-	8.70
	Net profit	-	-	1,587.35	-	-	2,254.76
c)	OTHER INFORMATION						
	Segment assets	84,759.19	4,565.39	89,324.58	86,447.25	4,326.07	90,773.32
	Unallocated corporate assets	-	-	7,555.09	-	-	8,196.07
	Total assets	84,759.19	4,565.39	96,879.67	86,447.25	4,326.07	98,969.39
d)	Segment liabilities	42,804.28	1,724.30	44,528.58	41,036.45	1,547.67	42,584.12
	Unallocated corporate liabilities	-	-	11,247.24	-	-	13,410.57
	Total liabilities	42,804.28	1,724.30	55,775.82	41,036.45	1,547.67	55,994.69
e)	Capital expenditure	4,049.96	0.17	4,050.13	5,672.81	1.33	5,674.14
	Depreciation	4,982.59	-	4,982.59	4,725.49	-	4,725.49
	Non-cash expenses other than depreciation	-	-	154.44	-	-	218.96
(B)	Information about Secondary business segment	2005			2004		
		India	Outside India	Total	India	Outside India	Total
	Segment revenue	69,125.41	4,654.57	73,779.98	61,058.77	5,421.29	66,480.06
	Segment assets	76,973.91	12,350.67	89,324.58	78,919.93	11,853.39	90,773.32
	Additions to fixed assets	4,050.13	-	4,050.13	5,674.14	-	5,674.14

- 19 Previous year's figures have been regrouped/recast, wherever necessary, to conform to current years classification.

For and on behalf of the Board

RAMESHRAM MISHRA  
Dr. A. C. MUTHIAH  
C. RAMACHANDRAN  
RM. MUTHUKARUPPAN  
V. RAMANI  
Place : Chennai  
Date : 7<sup>th</sup> June 2005

Chairman  
Vice Chairman  
Director  
Managing Director & COO  
Director & CFO

M.B. GANESH  
Secretary







# Tamilnadu Petroproducts Limited

Regd. Office & Factory : Manali Express Highway,  
Manali, Chennai - 600 068.

## ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE MEETING HALL

I hereby record my presence at the Twentieth Annual General Meeting held on **14th September, 2005.**

**Venue** : Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade (Near High Court), Chennai 600 108.

**Time** : 10.30 a.m.

\_\_\_\_\_  
Signature of the Shareholder

\_\_\_\_\_  
Signature of the Proxy



# Tamilnadu Petroproducts Limited

Regd. Office & Factory : Manali Express Highway,  
Manali, Chennai - 600 068.

## PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ being a Member/Members of  
TAMILNADU PETROPRODUCTS LIMITED, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ as my / our Proxy in my / our absence to  
attend and vote for me / us and on my / our behalf, at the Twentieth Annual General Meeting of the  
Company, to be held at 10.30 a.m. on 14th September, 2005 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

Signed by the said \_\_\_\_\_

30 Paise  
Revenue  
Stamp

Note : The Proxy must be deposited at the Registered Office of the Company at Manali Express Highway, Manali, Chennai - 600 068, not less than 48 hours before the time for holding the meeting. The Proxy need not be a member of the Company.

BOOK POST

*TWENTIETH ANNUAL REPORT*  
*2004 - 05*



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