TPL

# BOARD OF DIRECTORS

(As on 24th July 2008)

| | |
|---|---|
| **M.F. FAROOQUI, IAS** | Chairman |
| **DR. A.C. MUTHIAH** | Vice Chairman |
| **KUMAR JAYANT, IAS** | Director |
| **T.S. SURENDRANATH** | Director |
| **S. SUSAI** | Director |
| **ASHWIN C. MUTHIAH** | Director |
| **C. RAMACHANDRAN** | Director |
| **DHANANJAY N. MUNGALE** | Director |
| **N.R. KRISHNAN** | Director |
| **Dr. K.U. MADA** | Director |
| **V. RAMANI**<br>(Whole-time Director) | Director &<br>Chief Financial Officer |
| **RM. MUTHUKARUPPAN**<br>(Whole-time Director) | Managing Director |

*AUDIT COMMITTEE*

| | |
|---|---|
| **C. RAMACHANDRAN** | Chairman |
| **S. SUSAI** | Member |
| **DHANANJAY N. MUNGALE** | Member |
| **N.R. KRISHNAN** | Member |
| **DR. K.U. MADA** | Member |

| | |
|---|---|
| M.B. GANESH | Secretary |

**REGISTERED OFFICE & FACTORY**

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

**CORPORATE OFFICE**

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

**AUDITORS**

Deloitte Haskins & Sells
Chartered Accountants,
Old No. 37, New No. 52, ASV Ramana Towers,
Venkatanarayana Road, T.Nagar,
Chennai - 600 017.

**LEGAL ADVISOR**

T. Raghavan,
New No. 41, Kasturi Ranga Road,
Chennai - 600 018

**REGIONAL OFFICE**

C/o. SPIC Limited,
1201, 12th Floor, 16,
Vikram Tower, Rajendra Place,
New Delhi - 110 003.
Tel : 011-25868018 Fax : 011-25868019

**BANKERS**

State Bank of India
State Bank of Bikaner & Jaipur
State Bank of Patiala
Axis Bank Ltd.
Federal Bank Ltd.
IndusInd Bank Ltd.
Industrial Development Bank of India 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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# OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|---|
| Gross Profit | 120.46 | 83.30 | 61.62 | 42.58 | **38.38** |
| Interest | 34.93 | 26.97 | 21.88 | 24.74 | **23.94** |
| Profit before depreciation | 85.53 | 56.33 | 39.74 | 17.84 | **14.44** |
| Depreciation | 47.25 | 49.82 | 38.68 | 33.11 | **32.83** |
| Exceptional Item | (1.92) | 0.38 | 0.40 | - | **-** |
| Profit Before Tax | 36.36 | 6.89 | 1.46 | (15.27) | **(18.39)** |
| Provision for Tax | 14.15 | (4.93) | (0.58) | (4.21) | **(6.48)** |
| Profit after Tax | 22.21 | 11.82 | 2.04 | (11.06) | **(11.91)** |
| Networth | 380.91*@ | 375.74*$ | 367.52* | 356.46* | **344.39*** |

* Net of Revaluation Reserve

@ 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 TWENTY THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Company will be held at 10.30 a.m. on Wednesday the 24th September 2008 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 2008 and Profit and Loss Account of the Company for the year ended 31st March 2008 and the Report of the Directors and Auditors.
2. To appoint a Director in place of Thiru S Susai, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Thiru C. Ramachandran, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Thiru T.S. Surendranath, who retires by rotation and being eligible offers himself for re-election.
5. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

   "RESOLVED THAT M/s. Deloitte Haskins & Sells, 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 next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company."

By order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

M.B. GANESH
Secretary

Regd. Office :
Manali Express Highway,
Manali, Chennai - 600 068.
24th July 2008

**Notes :**

a) 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.

b) The Register of Members and the Share Transfer Books of the Company will remain closed from 10th September 2008 to 24th September 2008 (both days inclusive).

c) 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.

d) Claims on unclaimed dividend, if any, for the financial years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 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 2000-01 is due for transfer during October 2008 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.

e) Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.

f) All documents referred to in the accompanying Notice 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.

g) The Company's equity shares are listed at Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) & Madras Stock Exchange Limited (MSE). The Company has paid the annual listing fees to BSE and NSE for the financial year 2008-09 except to MSE as Company had applied for delisting of Equity Shares pursuant to the resolution passed at the Annual General Meeting held on 28th September 2007. Communication from MSE is awaited.

h) *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.*

**INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 (IV) OF THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE APPOINTED / RE APPOINTED AT 23RD AGM.**

**Item No. 2 of the Notice**

Name: Thiru S. Susai Age: 57 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.

No. of shares held : Nil

**OTHER DIRECTORSHIPS:**

| S.No. | NAME OF THE COMPANIES\FIRMS | Position held |
|---|---|---|
| 1 | Tamilnadu Telecommunications Ltd | Director |
| 2 | Titan Industries Ltd | Director |
| 3 | Tanflora Infrastructure Park Ltd | Director |
| 4 | Sree Maruthi Marine Industries Ltd | Director |
| 5 | Nova Roofings and Pipes Ltd | Director |
| 6 | Jayamkondam Lignite Power Corpn Ltd | Director |
| 7 | Arkonam Castings and Forgings Ltd | Director |
| 8 | Samrat Holdings Ltd | Director |
| 9 | Titan Timeproducts Ltd | Director |
| 10 | Questar Investments Ltd | Director |
| 11 | Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore | Director |
| 12 | Titan International Middle East, Dubai | Director |
| 13 | Manali Petrochemical Ltd. | Director |

**COMMITTEE MEMBERSHIPS**

| S.No. | Name of the Company | Name of Committee | Position held |
|---|---|---|---|
| 1 | Tamilnadu Petroproducts Ltd. | Audit Committee<br>Share Transfer & Shareholders / Investors Grievance Committee | Member<br>Member |
| 2 | Tamilnadu Telecommunications Ltd. | Audit Committee<br>Shareholders / Investors Grievance Committee | Member<br>Member |
| 3 | Tanflora Infrastructure Park Ltd. | Audit Committee | Chairman |
| 4 | Titan Industries Ltd | Audit Committee<br>Shareholders / Investors Grievance Committee | Member<br>Member |
| 5 | Manali Petrochemical Ltd. | Audit Committee | Member |

**Item No. 3 of the Notice**

Name: Thiru C. Ramachandran Age: 70 Years Qualification: I.A.S.

Expertise: Management & Public Administration

No. of shares held : Nil

**OTHER DIRECTORSHIPS:**

| S.No. | NAME OF THE COMPANIES/FIRMS | Position held |
|---|---|---|
| 1 | Elnet Technologies Limited | Director |
| 2 | ETL Infrastructure Services Limited | Director |
| 3 | Elnet Software City Limited | Director |
| 4 | ETL Hospitality Services Ltd | Director |
| 5 | ETL Power Services Ltd | Director |
| 6 | ETL Corporate Services Pvt. Ltd | Director |
| 7 | The Great Indian Linen & Textile Infrastructure Company Pvt. Ltd | Director |
| 8 | Appu Hotels Limited | Director |
| 9 | Tulsian NEC Limited | Director |

**COMMITTEE MEMBERSHIPS:**

| S. No. | Name of the Company | Name of Committee | Position held |
|---|---|---|---|
| 1 | Tamilnadu Petroproducts Limited | Share Transfer & Shareholders/ Investors Grievance Committee | Member |
| | | Audit Committee | Chairman |
| | | Remuneration Committee | Chairman |
| | | Disinvestment Committee | Member |
| | | Project Evaluation Committee | Member |
| 2 | Elnet Technologies Limited | Audit Committee | Member |
| | | Shareholder/Investor Grievance Committee | Member |
| 3 | ETL Infrastructure Services Limited | Audit Committee | Member |
| | | Appointment & Remuneration Committee | Member |
| 4 | ETL Hospitality Services Limited | Audit Committee | Member |

**Item No. 4 of the Notice**

Name: Thiru T.S.Surendranath Age: 56 Years Qualification: B.Com., A.C.A.

Expertise: Chartered Accountant – Senior General Manager (Finance), TIDCO having experience of 29 years in appraisal of projects / promotion / monitoring the implementation of the projects, Financial management and Accounts. Also serving as Nominee Director of TIDCO in companies promoted/assisted by TIDCO.

No. of shares held : Nil

**OTHER DIRECTORSHIPS:**

| S.No. | NAME OF THE COMPANIES\FIRMS | Position held |
|---|---|---|
| 1 | Karur Yarn Links Ltd | Chairman |
| 2 | Rama Qualitex Ltd | Director |
| 3 | JK Pharmachem Ltd | Director |
| 4 | Lactochem Ltd | Director |
| 5 | Automotive Coaches and Components Ltd | Director |

**COMMITTEE MEMBERSHIPS:**

| Sl.No | Name of the Company | Name of Committee | Position held |
|---|---|---|---|
| 1 | Automotive Coaches & Components Ltd. | Audit Committee | Member |
| 2 | J K Pharmachem Ltd | Audit Committee | Member |
| | | Shareholders/Investors' Grievance Committee | Member |

# DIRECTORS' REPORT

To
The Shareholders

Your Directors have pleasure in presenting the Twenty Third Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2008.

## FINANCIAL RESULTS

| | (Rupees in Crores) | |
|---|---|---|
| | **2007-08** | 2006-07 |
| Profit before Depreciation and Interest | **38.38** | 42.58 |
| Interest | **23.94** | 24.74 |
| Profit after Interest | **14.44** | 17.84 |
| Depreciation | **32.83** | 33.11 |
| Profit before Tax and Exceptional Items | **(18.39)** | (15.27) |
| Profit before Tax | **(18.39)** | (15.27) |
| Provision for Tax | **(6.48)** | (4.21) |
| Profit after Tax | **(11.91)** | (11.06) |
| Balance carried to Balance Sheet | **58.97** | 70.88 |

## OPERATIONAL HIGHLIGHTS

The capacity utilisation of LAB plant was largely governed by the demand for and availability of LAB in the market place. The domestic production of LAB coupled with imports resulted in excessive supply of the product. Hence, your Company had to so adjust its production programme that its operations could be reasonably remunerative. That meant utilisation of the plant capacity was at 65.58% with an output of 78,630 MTs. As it was not a paying proposition, export of LAB was meant to continue our presence in the international market. The plant on-stream factor was over 95% for the year. Despite the low throughput, the specific consumptions of raw materials were maintained well within the norms by adopting stringent operational standards. Simultaneously, as the fuel oil costs were soaring high, energy conservation measures were taken to reduce fuel oil consumption.

In LAB business, margins shrank with unabated rise in prices of raw materials consequent to rise in crude prices and excessive availability of the product. Continued political disturbances in oil producing nations and the rising demand for crude resulted in mis-match between demand and supply which drove the prices of petroleum products to record levels.

Your Company continued to hedge raw materials for the volume covered under export contracts. With a view to contain the increase in energy costs, your Company upgraded the advanced process control system for optimising the process and energy inputs in the LAB plant.

Epichlorohydrin

ECH plant achieved a capacity utilisation of 83.6% during the year. To overcome the interruptions faced in the plant operations during the first and second quarters of the year, appropriate remedial measures were undertaken by replacing few distillation columns and equipment so as to ensure an un-interrupted operation of the plant.

While the energy costs were on steadily rising trend, the full pass through in domestic prices did not happen due to global ECH prices. The import price is lesser than the production cost. Also, because of the rupee appreciation, reduced customs duty and Free Trade Agreement Import, there was preference to import. However, your Company was not affected severely as bulk of supplies was made to the adjacent company in which TPL has a stake holding.

### Caustic Soda / Chlor Alkali

Chlor Alkali plant achieved a capacity utilisation of 99.5%. During the year, plant operation was run partly on TNEB power because of difference in comparative rates. However, due to lack of quality power, the operations were to a certain extent affected. Production levels of Caustic Flakes and Caustic Soda Lye were at 78.3% and 93.9% of the respective targets.

The Company continued its strategy of producing to meet the changing market requirements of caustic lye and caustic flakes. Despite additional capacities being installed in parts of South India, the market for caustic soda lye and caustic soda flakes did not witness any major variations in price through out the year.

## FINANCE

Some of the Financial Institutions / Banks have re-set the interest rates resulting in additional interest burden. Your Company has been working its programme to infuse long term funds to meet the rising working capital requirements, especially because of the increase in raw material prices. These measures embarked during the year include sale of some of the non-core assets. In the Arbitration proceedings initiated by your Company in respect of claims towards damage to the Pacol Charge

Heater in 2004-05, an award for a sum of Rs.7.79 crores had been passed in favour of the Company. This amount will help in shoring up the working capital requirements.

As part of its efforts to meet the funds requirement, the Company has initiated action for sale of Windfarm. The sale proceeds would be used partly for settling long-term debt and partly for meeting working capital requirements. These efforts should improve the financial ratios of the Company.

## DIVIDEND

Your Company has incurred a net loss of Rs. 11.91 crores. Considering the financial position of your Company, the Board of Directors express their inability to consider payment of dividend.

## SAFETY, HEALTH & ENVIRONMENT

Your Company has won Safety Awards from the Factory Inspectorate, Government of Tamilnadu, for the year 2005, for achieving Lowest Weighted Frequency Rate in Accident and for having worked for not less than 10 lakh man-hours. The LAB, ECH and Chlor Alkali plants have achieved 4,267, 308 and 235 safe days of operation respectively as on 31st March 2008. The health of employees and the environment in and around the plant area have been given due care and attention.

## RESEARCH & DEVELOPMENT

Research & Development activities and studies were mainly focused on quality improvement of product, process improvement and studies related to improving environmental performance.

## SUBSIDIARIES

### SPIC Electric Power Corporation (Private) Ltd. (SEPC)

SEPC has necessary approvals in place for implementation of the Power Project at Tuticorin. Your Company along with SEPC has executed a Memorandum of Understanding with an Indian Investor, M/s. Goldstone Exports Ltd. (GEXL), on 14th June 2007. GEXL evinced keen interest to bring in 74% equity for the 525 MW power project and develop the project. GEXL is meeting the funding requirements of SEPC. SEPC is taking necessary action to amend the Power Purchase Agreement to incorporate the revised norms under the Electricity Act, 2003. As there was no response from the Tuticorin Port Trust for restoration of long-term lease of land for the Project, SEPC has taken legal recourse to ensure that the same land allotted to us is entrusted to us for its effective use.

### Certus Investment and Trading Ltd. (CITL)

TPL has been actively pursuing NP/ LAB projects both in Middle East and South East Asia, as these areas are identified for the future growth of LAB business. M/s. Certus Investment and Trading Limited (CITL) Mauritius, the Wholly Owned Subsidiary Company of TPL, serves as an overseas investment arm of TPL in these overseas projects.

CITL has a wholly-owned subsidiary - Certus Investment & Trading(S) Pte. Ltd., (CITPL), as Company's procurement and marketing service provider for its current business outside India.

## SINGAPORE N-PARAFFIN PROJECT

This project is to establish a Normal Paraffin (NP) plant as a green-field project with its associated utilities and off-sites for a proposed capacity of 100,000 metric tonnes per annum, at Jurong Island, Singapore. This has now gained momentum. The Project Company - TPL India Singapore Private Limited has signed Joint Venture Terms with Singapore's Economic Development Board (EDB) for preference share investment to the extent of 5% of Equity in the Project. Out of the balance 95% of the Equity, CITL will contribute 51% and 44% by the Joint Venture Partner. The Project is to be funded on a Debt : Equity basis of 70:30.

The debt portion to the extent of USD 80 Million has been underwritten by Kuwait Finance House (KFH), Kuwait, mandated to arrange syndication of the loan. KFH has completed the legal, marketing and technical due diligence. The Term Sheet, indicating the terms and conditions, has been signed on 8th May 2008.

An Agreement has been entered into with the shareholders of Singapore Refining Co. (SRC) in December 2007 for supply of feedstock for the proposed Project and for taking back the return streams from the proposed project. Jurong Town Corporation, the governmental agency in Singapore, has formally reserved a Site for the proposed NP Project and a Right of First Refusal (ROFR) has been accorded to the Project company. An in-principle clearance from National Environment Agency (NEA) of Singapore has also been obtained for setting up the proposed project. Discussions are under way with UOP for entering into Licensing and Engineering Agreements. Engineering activities are scheduled to start by June 2008. The NP project is expected to commence its commercial operation by fourth quarter of 2009.

**MIDDLE EAST LAB PROJECT**

This project proposes to construct a 80,000 TPA of LAB plant in the Yanbu Industrial City, Kingdom of Saudi Arabia. The Saudi Arabian General Investment Authority (SAGIA) had issued licence for the project. The Royal Commission of Jubail and Yanbu had allotted the required land in Yanbu Industrial City on the western coast of Saudi Arabia. The project is being planned to commence its commercial production in the 3rd Quarter of 2010, in line with the commissioning of Shell's Gas to Liquid (GTL) Project. Shell's GTL plant in Qatar is expected to commence its commercial production in the year 2009. CITL's JV Company in Bahrain, Gulf Petroproduct Co. (GPC) is negotiating with M/s Shell for long-term supply of Normal Paraffin from its proposed GTL plant in Qatar.

A statement pursuant to Section 212 of the Companies Act, 1956, giving information about the subsidiary companies is attached hereto. The consolidated financial statements presented by your Company include the financial information of its subsidiaries, as required under Accounting Standard AS-21, issued by the Institute of Chartered Accountants of India.

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. 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 India Limited (HIL)**

Henkel India Limited (HIL) achieved a turnover of Rs. 430 crores for the year ended 31st December 2007 compared to Rs. 357 crores in the previous year. HIL posted a Net Profit of Rs. 14.52 crores (audited) as against Net Profit of Rs. 9.80 crores in the previous year and achieved a cash profit of Rs. 21.44 crores. It has been a good year for the sector in which the Company has a presence. Henko and Mr. White, the main Laundry Care, have done well. Pril Dish wash liquid maintained its leadership position by achieving 73% value market share. Margo launched a new variant to attract young consumers and strong media support is planned to be provided during 2008 for this brand. This was the first full year after the launch of retain Hair-colouration brands Silkience and Palette and the brands have shown modest growth. The Schwarzkopf Professional Hair-Care Division registered a growth of 27% over the previous year, with the brand 'Igora Royal' being received very well by the market. Overall, the outlook for 2008 is robust and the plan is to strengthen the brands across all accounts during the year.

**Petro Araldite Pvt. Ltd. (PAPL)**

During the Financial Year 2007-08, PAPL produced 14,303 MT Basic Liquid Resin, 11,435 MT Basic Solid Resin and 3,083 MT of formulated product aggregating 28,821 MT representing a capacity utilisation of about 78%, which compared to 63% capacity utilisation achieved during the last year. Total sales increased to Rs. 246.35 crores compared to last year's Rs. 216.10 crores. Exports during the year was 4,040.77 MTs as against 3,036 MTs during the last year. The profit for the 12 months' period up to 31st March 2008 (unaudited) is Rs.6.76 crores and the accumulated loss / Profit as on the above date is Rs. 0.60 crores.

**FIXED DEPOSITS**

The total amount of deposits outstanding as on 31st March 2008 was Rs. 0.20 lakhs, which represents unclaimed deposits only.

**EMPLOYEES**

The employees are regarded as the most valuable human asset of the Company. The Management is consistently implementing various HR initiatives, such as recognition, empowerment, personality development, distributed leadership, etc. to enhance the capabilities of employees to accomplish the corporate goals and objectives through dedicated team-work. The Human Resource Information System has been implemented resulting in automation of all the HR activities. External and in-house training is imparted for strengthening the hands of employees to improve productivity with perfection. To improve the morale of employees, various welfare and cultural activities are being carried out. The Human Resource Management system is fine tuned to facilitate growth to both the employees and the organisation. A fresh organisational restructuring has been implemented to target a growth-oriented organisation, by suitably rewarding the talents. The Grades have been recast and the designations revised so as to bring about healthy competition among the employees. The Human Resources Management systems and procedures have been constantly upgraded to meet the internal and external challenges in the rapidly changing business scenario.

The Industrial Relations have been harmonious through out the year and the Management has ensured to maintain cordial staff relations.

A statement giving information and particulars of Employees, as required under Section 217(2A) of the Companies Act, 1956, is attached to form part of this Report.

**DIRECTORS**

The details of changes in the composition of the Board of Directors since the date of last Directors' Report are given below:

(a) The Board of Directors on 26th July 2007 accepted the resignation of the Independent Director, Thiru N. Rangachary.

(b) The Board of Directors on 26th October 2007

   (i) co-opted Thiru Kumar Jayant, I.A.S. as Director of the Company representing TIDCO, vice Thiru Sunil Paliwal, I.A.S. and

   (ii) recorded the withdrawal by SPIC of the nomination of Thiru Babu K Verghese as Director of the Company.

(c) The Board of Directors on 22nd January 2008 recorded the withdrawal of nomination of Thiru Shaktikanta Das, I.A.S. as Director and Chariman by TIDCO. On the same day, Thiru M.F. Farooqui, I.A.S., was appointed as Director and Chairman vice Thiru Shaktikanta Das, I.A.S.

(d) Thiru RM.Muthukaruppan, Managing Director & Chief Operating Officer was redesignated as Managing Director with effect from 15th May 2008 consequent to organisation restructuring.

(e) The Board of Directors on 24th July 2008 recorded the withdrawal of nomination of Thiru S. Ramasundaram, I.A.S. as Director by TIDCO.

The Board of Directors wish to place on record their appreciation of the valuable services rendered by Thiru Shaktikanta Das, I.A.S. as Chairman, Tvl.N. Rangachary, Sunil Paliwal, I.A.S, Babu K. Verghese and S. Ramasundaram, I.A.S as Directors during their tenures as Members of the Board.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Thiru S. Susai, Thiru C. Ramachandran and Thiru T.S. Surendranath shall retire by rotation and being eligible, offer themselves for re-election.

**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 31st March 2008, 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 31st March 2008 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 Agreements with the Stock Exchanges, a Report on Corporate Governance with Auditors' Certificate on compliance with the conditions of revised Corporate Governance and a Management Discussion and Analysis Report have been attached to form part of the Annual Report.

**AUDITORS**

M/s. Deloitte Haskins & Sells, appointed as Statutory Auditors at the 22nd Annual General Meeting held on 28th September 2007, retire at the conclusion of the Twenty Third 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 wish to state that the Company and SEPC have executed a Memorandum of Understanding in June 2007 for implementation of the Power project. The terms of the Shareholders Agreement between the Investor Company and the Company are under negotiation and the Agreement is expected to be executed soon. The investor Company has been meeting the day-to-day expenses of SEPC since August 2007. In view of these developments, no provision in the value of investment and advance against equity is considered necessary at this stage, as explained in Note 23 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 attached to form 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 institutions, insurance companies, promoters, technology suppliers, raw material suppliers, joint venture partners, statutory auditors, 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

24th July 2008 — M.F. FAROOQUI
Chennai – 600 068 — Chairman

# MANAGEMENT DISCUSSION & ANALYSIS REPORT

**INDUSTRY STRUCTURE**

Tamilnadu Petroproducts Limited (TPL) is manufacturing and marketing Petrochemicals viz. Linear Alkyl Benzene (LAB), Epichlorohydrin (ECH) and Chemical intermediates - Caustic Soda and Chlorine. These products meet the basic needs of the various industries manufacturing detergents and cleaning products, epoxy resins and textiles. Chlorine is also used in bleaching and water treatment applications.

**LINEAR ALKYL BENZENE (LAB)**

LAB plays a dominant role in the formulation of synthetic detergents. The LAB industry in India has been facing intense competition over the last two years in view of over-supply, consequent to entry of a new major domestic manufacturer. The excess supply situation had forced the domestic LAB manufacturers to curtail capacities, resulting in increased operating costs. Apart from the impact due to sub-optimal economies of scale of operation, the realizations of domestic LAB manufacturers were further strained by the steep and steady increase in global Crude Oil prices, the burden of which could not be entirely passed on to the LAB consumers because of the over-supply situation. Further, the industry has been facing severe competition from cheaper imports from the Middle East countries; the overseas manufacturers have a distinct cost advantage arising from subsidized prices of energy and feed stock. As a consequence, your Company's bottom line has been more severely affected than the other major domestic LAB manufacturers. This is particularly so because the competitors have either their own backward or forward integration facility. However, of late, the global LAB demand looks promising, especially owing to unprecedented growth foreseen in the developing Asian and African economies.

This has been evident from the fact that the last quarter of the year has shown signs of consolidation with the narrowing of the supply-demand gap. Also, the industry has been witnessing a gradual reduction in consumption of alternate surfactants due to uncompetitive prices as well as its non-eco-friendly nature, which, in turn has been a contributing factor for gradual rise in demand for LAB.

Despite the stiff competition from domestic and international players, your Company has been able to maintain near-normal supplies to retain its major customers of LAB. As a strategic cost conservation measure, your Company has started sourcing energy inputs on international terms in bulk supply and has also been sourcing Normal Paraffin and Benzene on term offers. Your Company has also taken up with the Government of India the anomalous situation created by the inverted duty on Normal Paraffin. Further, it has approached the Government of Tamilnadu for availing input tax credit charged on Kerosene, as is being permitted in a few other states so that on this score all competitors would be at par.

## EPICHLOROHYDRIN (ECH)

TPL continues to be the only manufacturer of ECH in India. ECH has wide applications in Epoxy resins, Pesticides and Pharmaceuticals. The demand for ECH is buoyant and steadily increasing. The gap in domestic market requirements is met by imports from Europe, Russia and other countries which are facilitated by the rupee appreciation till recently. The pricing pattern for India adopted by overseas manufacturers has been aggressive due to lower energy and raw material cost advantages. M/s. Petro Araldite Pvt. Limited (PAPL), the joint venture of TPL, continues to source its major requirements of ECH from your Company.

The year under review witnessed severe price fluctuations on account of increase in crude prices and resultant impact thereof. This resulted in margin erosions, as the cost increases on account of increases in raw material prices could not be simultaneously passed on to customers on account of competitive international prices of ECH and the rupee appreciation till recently. Further, with certain mechanical interruptions in the Plant, the budgeted specific consumption norms could not be achieved. Remedial actions have already been taken in the plant in this regard.

## CHLOR ALKALI

The capacity additions to the caustic soda industry especially in the southern parts of India during the last two years, has led to severe competition amongst the manufacturers to grab the existing markets. Despite this, your Company is maintaining its leadership position in the southern markets.

Your Company is taking active steps to market the hydrogen from the plant to various users of the gas in and around Chennai, apart from utilizing it in boilers to reduce the cost of manufacture. Hydrogen as a fuel will be an exciting venture as it is considered to be a fuel for the future. Unlike other Caustic soda manufacturers who have to scout around markets for Chlorine, your Company continues to supply the toxic gas through pipelines to adjoining industries in the Manali belt. Hydrochloric acid is produced by both the plants viz. ECH and CAD and your Company continues to market the acid produced in both the plants. In fact, the acid from CAD plant is mercury-free and has a niche market.

## THREATS AND OPPORTUNITIES

**Linear Alkyl Benzene**

The Industry is facing acute pressure due to continuous surge in price of global oil. The prediction that crude would touch over US $ 100 a barrel was not accepted two years ago. But the prediction has come true. The oil price has moved to the levels of US $ 115–120 per barrel towards the last quarter of the financial year. Somehow the world economy is sustaining the price at this level. As part of risk mitigation strategy, your Company has already taken up to “Hedging” a part of its raw materials required for export. The continuous increase in feed stock prices, both on raw materials and energy sides could not be realized through corresponding increase in selling price of LAB. There was consumer resistance in a rather buyer’s market.

Adding to the pressure on margins as explained above, the imports from Middle East countries is also affecting your Company’s business and the bottom line. However, the growth in detergent market has helped to narrow the demand-supply gap. The over-supply situation that has been existing over the last 2 years has started showing signs of easing out, as the healthy growth in economy is anticipated to absorb the excess supply.

TPL’s major competitors for LAB in the Indian market have either their own backward integration facility viz. manufacture of raw materials or forward integration facility to manufacture the finished products utilizing their LAB. They also have diversified product lines that could absorb the risk in LAB business. However, there are opportunities for optimizing operating costs as well as for reducing the energy cost. During the year, as an Optimization measure, your Company upgraded the “Advanced Process Control” system for the LAB Plant to reduce the operating costs. Also, your Company has been looking for substitutes for energy inputs.

The coal-based power plant which your Company has been planning to set up will provide a definitive advantage on energy cost. Also, your Company has commenced activities on ‘Carbon Credits’ as a means to realize the potential opportunity. Customer retention and customer satisfaction have been the guiding principles that had helped your Company to maintain a dominant role in the southern markets.

India is one of the major consumers of LAB in the world with promising growth rate. In a growing economy with rapid urbanization and changing life styles of people, it is expected, the increase in spending power would have a positive impact on the consumption growth of LAB in the coming years.

**Epichlorohydrin**

ECH business in India is presently affected by increase in price of petroleum and other derivative products of crude. Coupled with this, the reduction in customs duty and rupee appreciation vis-à-vis US Dollar for import of ECH are also deterrent factors in pricing the end product. The existing Free Trade Agreement with ASEAN countries provides for imports of ECH and Epoxy Resins at negligible import duties.

A new process for the manufacture of ECH has been developed based on Glycerin, a by-product of the bio-diesel / detergent alcohols. This new process, when commercialized, could increase competition due to lower pricing. The global outcry for using the agri-produce for industrial use has been in discussions in the recent past. Viewed against this background, success of the new technology largely depends on the Government policy on agri-requirements vs. industrial needs.

The resurgence seen in the Infrastructure sector in India together with impetus given by the Government of India for the creation of Special Economic Zones (SEZs) in various parts of the country would be expected to crystallize the demand for ECH.

**Chlor Alkali**

The raw materials used in the manufacture of Caustic soda are industrial grade salt and power, the cost of which have been increasing. Salt availability for use by Caustic soda manufacturers in India is becoming limited, due to the capacity additions by the existing Caustic soda manufacturers in Southern India. The un-seasonal rains had also affected the availability of salt. The utilities cost also has been on the rise because of spiraling Fuel oil prices, despite the Company opting out to source Fuel Oil on an export parity basis. The quality of power from grid has not been stable. Despite this, the Company has to rely on TNEB power due to price advantage.

**RISKS & CONCERNS**

**Linear Alkyl Benzene**

The contracts with multi-national companies provide for fixed price contracts for the contractual period viz. three months. Any cost increase during this period cannot be automatically passed on to the MNCs during the relevant quarter. Consequently, the Company is, perforce, chasing the cost every quarter and hence the long-term pricing of LAB has proved to be more dis-advantageous. The inverted duty structure on LABFS is causing added concern and the matter has been taken up with the Government of India.

**Epichlorohydrin**

Manufacturing cost has been rising steadily during the last three years owing to rising global crude prices. While inverted duty structure will increase the production cost, higher imports coupled with reduced import duty and rupee appreciation will be a matter of risk for the ECH business.

The new know-how technology for production of Epichlorohydrin (ECH) from Glycerin will be a matter to be reckoned with when developed on a global scale. However, the downside of this development is the cry from globally influential economies such as USA and Europe who are weighing the pros and cons of such development at the cost of food grain and agri-product prices.

**Chlor Alkali**

The availability of industrial grade salt leading to higher price and spiraling Fuel oil costs are adding to the burden for your Company. High volume of imports on regular basis by high-volume consumers and traders is of concern to the Company. The use of Chlorine by paper manufacturers is being phased out as they are in the process of switching over to use of hydrogen peroxide. This would reduce caustic soda production since chlorine happens to be a co-product in the manufacture.

**OUTLOOK**

**Linear Alkyl Benzene**

Domestic market segment of LAB is witnessing a healthy growth rate of 6 to 7% per annum in contrast to 4% - 5% witnessed till about two years ago. The declining demand of existing substitute products for LAB, on account of higher price levels, is also fuelling the growth for LAB. With no other substitute products emerging, the market for LAB should be continuing to be better.

To address the non-availability of the intermediate in the manufacture of LAB viz. Normal Paraffin and to minimize the cost to the Company, a Normal Paraffin plant at Singapore is being established by your Company.

**Epichlorohydrin**

The applications of ECH are multiple. With the emergence of such growing sectors, and in particular, the setting up of Special Economic Zones (SEZs), your Company will be able to cater to widening markets. As your Company is a sole manufacturer of ECH in India, the benefits will accrue to your Company in total. Further, growth in the automobile sector would increase the market for ECH and Epoxy Resins. However, there are constraints to be faced in maintaining economical cost of production in the context of surging price of raw materials, rising energy cost, availability of imported ECH at lower prices and uncertainty in exchange rate of rupee. The Company is taking appropriate measures to face the challenges while deciding the major supply contracts.

While TPL is confident that the domestic demand can be met by its production capacity, the buyers are aligning with the import parity price and this leads to lower margins.

**Chlor Alkali**

The market for caustic soda, despite the presence of several manufacturers, is more matured. The price of caustic soda unlike any petro-chemical industry is not subject to volatile changes. However, the recent capacity additions by major manufacturers on a large scale will add pressure to the existing thin margins.

The use of Chlorine by paper manufacturers is being phased out as they are switching over to use of hydrogen peroxide. This would reduce caustic soda production, as chlorine happens to be a co-product in the manufacture.

Despite the replacement of chlorine with hydrogen peroxide in the paper industry, your Company is not likely to be affected, as its customers for chlorine are from multi-varied segments. This will ensure that the Company's plant will be run to its full capacity.

While TPL will try to be dynamic in its approach towards meeting the needs of the market, any relief to caustic manufacturers by way of reduced duty for import of membrane cell spares, reduced power tariffs, subsidy for use of industrial salt growers and consumers would be welcome measures to relieve the hardship faced by the caustic soda manufacturers who are already facing erosion in margins.

**FINANCE**

The continued increases in raw material prices will impose a severe strain on the Company. Its working capital limits have been fully utilised. The banks have been increasing their prime lending rates on a continuous basis, which is pushing up the overall interest cost. The Company is continuing its efforts to infuse interest-free funds by disposal of non-core assets and investments. The funds will be utilized partly to extinguish part of a long-term loan and the balance for working capital purpose to neutralize the pressure on working capital. Further, owing to macro-economic factors the financial performance of the Company has affected its ratings which would also mean an indirect burden of additional cost, both for short-term and long-term borrowings.

**INTERNAL CONTROL SYSTEM AND ITS ADEQUACY**

TPL has adequate internal control system monitored by the Internal Audit Department 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 Department.

Periodical meetings with senior management personnel are convened by the Managing Director and the Director & Chief Financial Officer to review the Risks and the Mitigation efforts. The Company is constantly reviewing the possible emergence of any new risks, to be resolved so as to maintain the three business units on an even keel. Action taken is periodically reported to the Audit Committee.

**MATERIAL DEVELOPMENTS ON HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONTS**

The manpower strength as on 31st March 2008 was 571. Following the liberalization of economic policies and the impact of globalization, a number of production facilities, both inland and abroad, have come into existence which in turn resulted in generating vast employment opportunities. This has pushed the rate of attrition of experienced and talented manpower in the organization. The Management has been conscious of this development and it is taking suitable measures to effectively tackle the high employee turnover. For this purpose, it is engaged in meticulous manpower planning and devising strategic plans to retain the talents. The Company has enlisted a number of leading educational institutions / Engineering Colleges. It has also organized campus recruitments in the colleges/institutes to appoint and train first class diploma / graduate engineers to infuse fresh blood in the manpower stream. This strategy is yielding fruitful benefits to the freshers as well as the organization.

Negotiations with Employees' Unions of LAB/ECH and HCD Divisions are in progress for arriving at long term settlements for revision of salaries, allowances and benefits.

**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 31st March 2008.**

**CONSERVATION OF ENERGY**

The following Energy Conservation measures were implemented in LAB/ECH/Chlor Alkali Division (CAD) Plants.

**LAB**

1. Installed variable frequency drive in LAB Hot Oil heater combustion air fan, and achieved power savings of about 960 units per day.
2. In Lab plant Variable frequency drive was installed in PACOL stripper feed pump and the power savings are about 950 units per day.
3. Installed variable frequency drive in LAB plant for 3 three fin fan coolers (EM1516/10, 12 and EM1519/2(R)) and achieved power savings of about 696 units per day.
4. In LAB plant 25 Nos of 160W plant lighting were replaced with 125W and achieved power savings of about 21 units per day.
5. In LAB plant 30 Nos of filament indication bulbs replaced with binary LED indication bulbs (Savings of 5 watts per lamp) and achieved power savings of about 3.6 units per day.
6. In LAB plant cooling tower pumps (PM1806A/B/D/E - Four pumps) impellers anti friction coating was done and achieved power savings of about 816 units per day.
7. To reduce the energy consumption, advanced process controller has been commissioned in LAB plant and achieved a savings to the tune of approximately 1.5 MT of Fuel Oil per Day.

**ECH**

8. Friction resistance coating was done in Cooling tower Pump impellers and achieved power savings of about 72 units/day.
9. Diffuser aerator was implemented instead of surface aerator in Bio Reactor 2 (ETP area) and achieved power savings of 240 units per day.
10. 20 Nos. of 160 watts Light fitting was changed into 125 watts Lights and achieved power savings of about 6 units/day.

**CAD**

11. In CAD plant Lighting Distribution Board – (LDB) (2 Nos) shifted from normal supply [430 V] to lighting transformer supply [385 V] and achieved power savings of about 7.2 units per day.
12. In selected places of CAD, conventional bulbs were replaced by CFL bulbs (15 Nos) and achieved power savings of about 21 units per day.

**FORM - A**

Form for disclosure of particulars with respect to conservation of Energy

| | | Current year 2007- 2008 | Previous year 2006-2007 |
|---|---|---|---|
| **A.** | **Power and Fuel Oil consumption** | | |
| **1)** | **Electricity** | | |
| | a. Purchased power | | |
| | Units( in lakhs)* | **417.72** | 203.75 |
| | Variable cost (Rs. in lakhs) | **1593.88** | 719.73 |
| | Total cost (Rs. in lakhs) | **1940.45** | 1274.20 |
| | Rate/Unit (Rs.) | | |
| | Units charges (Rs. / Unit )** | **3.82** | 3.53 |
| | Demand charges (Rs. / KVA) | **300** | 300 |
| | *Net of windfarm adjustment | | |
| | **Variable cost includes peak hour charges | | |
| | b. Own generation | | |
| | Through Diesel generator | | |
| | Units (in lakhs)** | **1680.94** | 1930.11 |
| | Units/Litre of fuel | **4.18** | 3.94 |
| | Rate/Unit (Rs.) | **5.16** | 4.44 |
| | **Includes power exported to grid | | |
| **2)** | **Coal** | | |
| | Quantity (Tonnes) | **--** | -- |
| | Total cost | **--** | -- |
| | Average rate | **--** | -- |
| **3)** | **Furnace oil/LSHS** | | |
| | Quantity (KL) | **89355.14** | 98494.74 |
| | Total amount (Rs. In lakhs) | **15682.03** | 14723.96 |
| | Average rate (Rs./KL) | **17550.23** | 14948.98 |
| **4)** | **Diesel** | | |
| | Quantity (KL) | **38.74** | 42.28 |
| | Total amount (Rs. in lakhs) | **12.18** | 11.73 |
| | Average rate (Rs. / KL) | **31446.08** | 27738.43 |
| **5)** | **Windfarm** | | |
| | Units generated (in lakhs) | **159.89** | 172.69 |
| | Total amount (Rs. In lakhs) | **129.94** | 133.22 |
| | Rate / Unit (Rs.) | **0.81** | 0.77 |

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

| Products with details | (Standard if any) | Current year | | | Previous year | | |
|---|---|---|---|---|---|---|---|
| | | **LAB** | **ECH** | **CAD-Caustic** | LAB | ECH | CAD-Caustic |
| Electricity (KWHR/MT) | | 662.23 | 1502.00 | 2697.00 | 633.44 | 1476.98 | 2641.85 |
| Furnace oil (MT) | | 0.513 | 0.666 | 0.024 | 0.47 | 0.559 | 0.017 |
| Coal (Specify quality) | | - | - | - | - | - | - |
| Others(Specify) | | - | - | - | - | - | - |

## FORM - B

Form for disclosure of particulars with respect to absorption

### RESEARCH & DEVELOPMENT

Research and Development activities are mainly focussed on Quality improvement studies of Products, Process improvement and studies related to improving environmental performance.

**1) Specific Areas in which R&D carried out by the company**

a) Optimisation studies of LAB sulphonation process using pilot scale sulphonation plant

b) Studies on electrolysis process of NaCl for reducing by product formation

c) Studies related to identification of impurities in process intermediates and their effects on the quality of final product in the ECH production process.

d) Improvement in the quality of effluents by biochemical and physical means

e) Studies related to corrosive nature of by-products in ECH Process

f) Assessment levels of active detergent components in the detergent formulations available in the market.

**2) Benefits derived as a result of above R&D**

a) The data and information on sulphonation studies is useful in resolving customer complaints and improving customer confidence in our products.

b) Helping to improve the process optimisation through better understanding of the process.

c) Reducing the specific consumption of raw materials and improving the yields of final product.

d) Improving the environmental performance of the organisation

e) Improving the life of equipment and storage facilities by better understanding of corrosiveness of process fluids

f) Helping to understand detergent market conditions.

**3) Future Plan of Action**

a) Studies aimed at reducing formation of by-products in the existing process.

b) Innovation regarding adopting new technologies for improving environmental friendliness of production process

| **4) Expenditure on R&D** | (Rs.in lacs) |
|---|---|
| a) Capital | Nil |
| b) Recurring | 7.36 |
| c) Total | 7.36 |
| d) Total R & D expenditure as a percentage of total turnover | 0.01% |

### TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION

Improvements in the process developed from the in house R&D were adopted in the process wherever applicable. The technological advances in the existing process suggested by Technology suppliers were adopted.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

| | | |
|---|---|---|
| a. Foreign Exchange outgo | : | Rs. 1,461.10 Lacs |
| b. Foreign Exchange earnings | : | Rs. 4,552.40 Lacs |

**Statement showing the particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees ) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended 31st March 2008.**

| Name (Tvl.) | Designation and Nature of Duties | Age | Qualification | Experience (Years) | Last employment and post held | Date of commencement of employment | Gross Remuneration |
|---|---|---|---|---|---|---|---|
| RM Muthukaruppan* | Managing Director & Chief Operating Officer | 55 | B.E. (Chemical) | 32 | Senior Engineer, Cochin Refineries Ltd | 17-10-1985 | 37,84,364/- |
| V Ramani* | Director & Chief Financial Officer | 56 | B.A., A.C.A | 32 | Executive Director, SPIC Limited | 04-02-2004 | 30,98,699/- |

* Not a relative of any Director of the Company.

* The appointment is contractual.

# REPORT ON CORPORATE GOVERNANCE (2007- 08)

**1. Company's philosophy :**

Tamilnadu Petroproducts Limited firmly believes in the implementation of best practice of corporate governance so that the Company would achieve its corporate goals and further enhance stakeholder value. It has been its endeavor to attach importance on ensuring fairness, transparency, accountability and responsibility towards stakeholders, besides voluntarily implementing best possible practices that would provide optimum information and benefit to the stakeholders.

**2. Board of Directors :**

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

| | Name (Tvl.) | Category | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorships@ | Committee Membership* | |
|---|---|---|---|---|---|---|---|
| | | | | | | Chairman | Member |
| 1 | M.F. Farooqui, IAS (Appointed as Director & Chairman w.e.f. 22nd Jan'08) | Chairman | 1 | NA | 7 | -- | -- |
| 2 | Dr A.C. Muthiah | Vice-Chairman | 4 | Yes | 9 | -- | -- |
| 3 | Ashwin C Muthiah | Director | 4 | No | 11 | -- | 2 |
| 4 | S Susai | Director | 3 | No | 11 | 1 | 7 |
| 5 | T S Surendranath | Director | 4 | Yes | 5 | -- | 3 |
| 6 | Kumar Jayant, IAS (Appointed as Director w.e.f. 26th Oct'07) | Director | -- | NA | 13 | -- | 3 |
| **b.** | **Promoter Executive Directors** | | | | | | |
| 7 | RM Muthukaruppan | Managing Director | 5 | Yes | 1 | -- | 2 |
| 8 | V Ramani | Director & Chief Financial Officer | 5 | Yes | -- | -- | -- |
| **c.** | **Independent Non-Executive Directors** | | | | | | |
| 9 | C. Ramachandran | Director | 5 | Yes | 7 | 1 | 5 |
| 10 | Dhananjay N Mungale | Director | 3 | Yes | 8 | 5 | 5 |
| 11 | N R Krishnan | Director | 5 | Yes | 4 | 2 | 2 |
| 12 | Dr K U Mada | Director | 3 | No | 4 | 2 | 4 |

@ Does not include directorships in companies excluded as per Section 278 of the Companies Act, 1956

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

NA – Not applicable

**Persons who ceased to be Directors :**

| Name (Tvl.) | Designation / Date of cessation | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorships | Committee Membership | |
|---|---|---|---|---|---|---|
| | | | | | Chairman | Member |
| Shaktikanta Das, IAS | Chairman / 22nd Jan'08 | 2 | Yes | 9 | -- | -- |
| Babu K Verghese | Director / 26th Oct'07 | 3 | Yes | 2 | -- | 1 |
| Sunil Paliwal, IAS | Director / 26th Oct'07 | - | NA | 11 | -- | -- |
| N Rangachary | Director/26th Jul'07 | - | NA | 2 | -- | 1 |
| S. Ramasundaram, IAS | Director/24th Jul'08 | - | No | 14 | 1 | 4 |

❖ Number of Board Meetings held - 5

❖ Dates on which held : 10th May 2007, 26th July 2007, 28th September 2007, 26th October 2007 & 22nd January 2008.

## 3. AUDIT COMMITTEE:

An Audit Committee of the Board of Directors was constituted in 1987. The terms of reference of the Audit Committee cover the matters specified in respect of such committee under Clause 49 of the Listing Agreement, as amended from time to time and Section 292 A of the Companies Act, 1956. The terms of reference, in brief, of the Audit Committee, are as under:

**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 the Management the quarterly, half-yearly and 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.
11. Compliance with Listing and other legal requirements relating to financial statements.

**Composition, Names of Chairman and Members of the Audit Committee**

The Board of Directors have constituted an Audit Committee comprising of 5 Directors, including 4 Independent Directors. The Committee held 5 Meetings on 10th May 2007, 26th July 2007, 25th October 2007, 21st January 2008 and 17th March 2008.

| Name of the Member (Tvl.) | Designation | Number of Meetings attended |
|---|---|---|
| C. Ramachandran | Chairman (Independent) | 5 |
| S. Susai | Member (TIDCO Nominee) | 3 |
| Dhananjay N Mungale | Member (Independent) | 3 |
| N.R. Krishnan | Member (Independent) | 5 |
| Dr K.U. Mada | Member (Independent) | 5 |

**Persons who ceased to be Members - Nil**

The Statutory Auditors, Cost Auditor, Internal Auditor and the Whole-time Directors are invited to participate in meetings of the Audit Committee. The Company Secretary is the Secretary of the Audit Committee.

4. **(a) Details of Remuneration paid to Whole-Time Directors during 2007-08:** (Rupees)

| Name (Tvl.) and Term of Service | Salary | Performance linked pay | Perquisites | Retirement Benefits | Total |
|---|---|---|---|---|---|
| RM Muthukaruppan<br>4.2.2007 – 3.2.2010 | 10,80,000 | 10,00,000 | 12,65,441 | 4,38,923 | 37,84,364 |
| V Ramani<br>4.2.2007 – 3.2.2010 | 9,60,000 | 8,00,000 | 10,12,619 | 3,26,080 | 30,98,699 |
| Total | 20,40,000 | 18,00,000 | 22,78,060 | 7,65,003 | 68,83,063 |

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 (2007-08)**

**Commission**

Due to the absence of profits computed in accordance with Sec 198 of the Companies Act, 1956, no provision has been made in the accounts towards commission payable to the Non-Wholetime Directors for the year 2007-08.

**Sitting Fees paid to Non-Executive Directors during 2007-08:**

| Name (Tvl.) | Sitting Fees (Rs ) | |
|---|---|---|
| | Board Meetings | Committee Meetings |
| Shaktikanta Das, IAS | 20,000 * | - |
| M F Farooqui, IAS | 10,000 * | - |
| Dr. A C Muthiah | 40,000 | - |
| Ashwin C Muthiah | 40,000 | 80,000 |
| Babu K Verghese | 30,000 | - |
| Dhananjay N Mungale | 30,000 | 30,000 |
| N R Krishnan | 50,000 | 60,000 |
| Dr K U Mada | 30,000 | 50,000 |
| T S Surendranath | 40,000 * | - |
| C Ramachandran | 50,000 | 2,50,000 |
| S Susai | 30,000 * | 2,30,000* |
| Total | 3,70,000 | 7,00,000 |

* Paid to TIDCO as they are TIDCO Nominees.

**5. Share Transfer & Shareholders / Investors Grievance 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, 226 letters/complaints received from the shareholders were replied /resolved. As on 31st March 2008, 14 valid transfer deeds involving 1,550 Equity Shares were under process, out of which 9 proposals involving 950 Equity Shares were subsequently approved during April 2008 and the balance are pending for technical reasons.

**General Body Meetings:**

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

| Year | Date | Time | Venue |
|---|---|---|---|
| 2004-05 (AGM) | 14.9.2005 | 10.30 AM | Tamil Isai Sangam, Raja Annamalai Hall, Esplanade (Near High Court), Chennai – 600 108 |
| 2005-06 (AGM) | 26.9.2006 | 10.30 AM | -do- |
| 2006-07 (AGM) | 28.9.2007 | 10.15 AM | -do- |

No resolution has been put through postal ballot.

No special resolution or ordinary resolution on matters requiring postal ballot are placed for approval of shareholders at the forthcoming 23rd AGM to be held on 24th September 2008.

**6. 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
- The Company has been conducting Open House programmes which provides access for employees at all levels to share their views and concerns with the top management. The employees could also express their views and concerns directly to MD through email ID md@tnpetro.com.
- Your Company has complied with the requirements of mandatory provisions of the Corporate Governance as required under Clause 49 of the Listing Agreement and has not adopted the non-mandatory requirements thereof so far.

**Details of equity shares held by Non Executive Directors as on 31st March 2008.**

| Name of the Director (Tvl.) | No. of Equity Shares |
|---|---|
| Dr A C Muthiah | 1001 |
| Dr K U Mada | 3500 |

**7. Means of Communication:**

The quarterly, half yearly and annual financial results of the Company are forwarded to the National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd., upon approval by the Board of Directors and are published in leading Newspaper in English and Tamil (Regional language). The financial results are displayed on the Company's website, www.tnpetro.com. The shareholding pattern, quarterly financial results etc. are displayed in SEBI website www.sebiedifar.nic.in as per Listing Agreement.

The financial results are not sent individually to shareholders. During the year under review, no presentation was made to the institutional investors or analyst.

Management Discussion & Analysis Report forms part of the Annual Report.

**8. General Shareholder Information**

- Annual General Meeting : 23rd Annual General Meeting will be held on 24th September 2008 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 | - August / 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 10th September 2008 to 24th September 2008 (both days inclusive).
- Listing of Securities on Stock Exchanges : The Equity Shares of the Company are listed in:
  - Madras Stock Exchange Ltd.(MSE)**
  - Bombay Stock Exchange Ltd (BSE) &
  - National Stock Exchange of India Ltd.(NSE)

** The Shareholders at their 22nd AGM held on 28th Sep'07 approved the Voluntary delisting of the Company's Equity Share from Madras Stock Exchange Ltd., (MSE) and delisting confirmation from MSE is awaited.

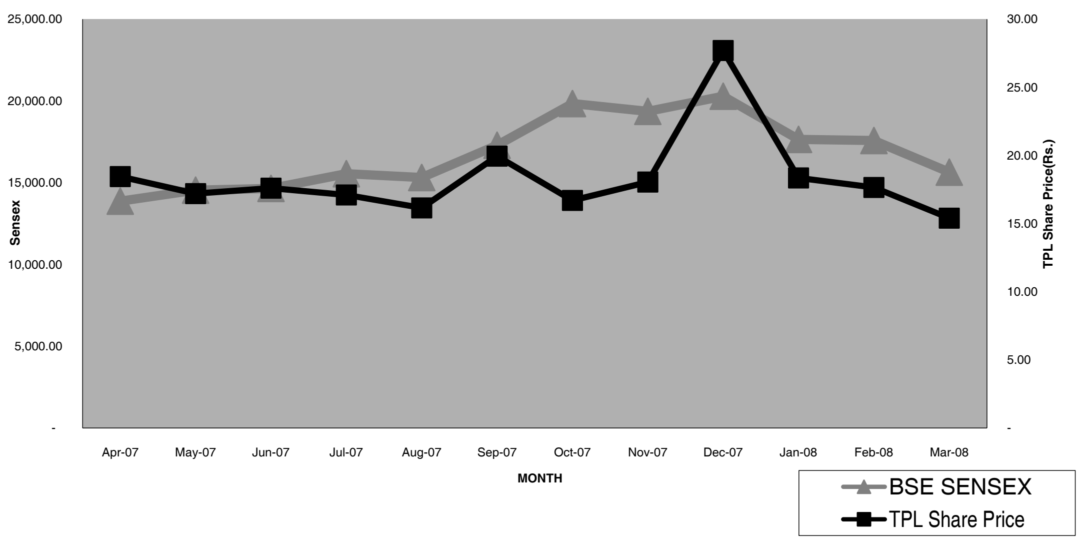
- Stock Code (Equity Shares) : MSE - TNPETPROD
  NSE - TNPETRO
  BSE - 500777

TPL

- Market Price Data [High / Low during each month in the last financial year]

| | BSE | | NSE | |
|---|---|---|---|---|
| Month / Year - 2007-08 | High (in Rs.) | Low (in Rs.) | High (in. Rs.) | Low (in Rs.) |
| April 2007 | 18.65 | 15.85 | 18.95 | 15.60 |
| May | 19.00 | 17.05 | 18.90 | 17.20 |
| June | 19.25 | 17.00 | 19.15 | 17.05 |
| July | 18.60 | 16.70 | 18.50 | 16.75 |
| August | 17.10 | 15.65 | 17.35 | 15.30 |
| September | 21.40 | 15.90 | 21.70 | 15.75 |
| October | 20.70 | 16.20 | 20.60 | 16.40 |
| November | 22.25 | 15.70 | 21.85 | 15.55 |
| December | 27.80 | 18.40 | 27.95 | 17.65 |
| January 2008 | 37.00 | 18.15 | 37.10 | 18.25 |
| February | 21.60 | 16.75 | 21.70 | 16.75 |
| March | 17.75 | 13.20 | 17.80 | 13.25 |

**PERFORMANCE OF TPL SHARE PRICE IN COMPARISON TO BSE SENSEX**
**(Closing price / index on the last day of every month)**




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 and Shareholders/Investors Grievances Committee to approve, inter alia, transfer of shares etc. in physical form and also to ratify the confirmations made to the demat requests and complaints from Shareholders/Investors received by the Company. During the year 21 such Meetings were held. The entire process including despatch of share certificates to the shareholders were completed within the time stipulated under the Listing Agreement.

  Demat International Securities Identification Number (ISIN) for Equity Shares is INE 148A01019 with National Securities Depository Ltd. and Central Depository Services (India) Ltd.

  (a) Distribution of Shareholding as of 31st March 2008:

| Category (No. of Shares) | No. of Shareholders | Percentage | No. of Shares | Percentage |
|---|---|---|---|---|
| Upto 500 | 91424 | 88.50 | 15306695 | 17.01 |
| 501 – 1000 | 7175 | 6.95 | 5962234 | 6.63 |
| 1001 – 2000 | 2566 | 2.48 | 3980286 | 4.42 |
| 2001 – 3000 | 761 | 0.74 | 1984228 | 2.21 |
| 3001 – 4000 | 318 | 0.31 | 1162954 | 1.29 |
| 4001 – 5000 | 349 | 0.34 | 1682236 | 1.87 |
| 5001 – 10,000 | 399 | 0.39 | 2978258 | 3.31 |
| 10001 & above | 316 | 0.31 | 56914583 | 63.26 |
| **Total** | **103308** | **100** | **89971474** | **100** |

(b) Shareholding Pattern as of 31st March 2008:

| Category | No. of Equity Shares | % to Paid-up Capital |
|---|---|---|
| Promoters : | | |
| - Tamilnadu Industrial Development Corpn.Ltd. | 15843751 | 17.61 |
| - Southern Petrochemical Industries Corpn. Ltd. | 15234375 | 16.93 |
| Other Corporate Bodies | 9681614 | 10.76 |
| General Public | 39433556 | 43.83 |
| Non Resident Individuals | 3091113 | 3.44 |
| Foreign Institutional Investors & OCBs | 1911325 | 2.12 |
| Indian Financial Institutions | 4670929 | 5.19 |
| Mutual Funds & Banks | 22925 | 0.03 |
| Shares in Transit [clearing Member account] | 81886 | 0.09 |
| **TOTAL** | **89971474** | **100.00** |

Dematerialization of Shares : Over 73.32% of the 89971474 outstanding shares have been dematerialized upto 31st March 2008.

- Liquidity : The Company's Equity shares are traded in MSE, BSE & NSE in compulsory demat form.

| | | |
|---|---|---|
| • Outstanding GDR's / ADR's / Warrants or any Convertible Instruments, conversion date and likely impact on equity | : | Not applicable |
| • Plant Location | : | Manali Express Highway<br>Manali, Chennai – 600 068. |
| • Address for Correspondence | : | **(A) Registered Office & Factory:**<br>Post Box No.9<br>Manali Express Highway,<br>Manali, Chennai – 600 068.<br>Tel No: 044-25941501-10 / 25940761<br>Fax No: 044-25941139 / 25940761<br>Email: secy-legal@tnpetro.com<br>mbg@tnpetro.com<br>investorgrievance@tnpetro.com<br>**(B) Corporate Office**<br>"TPL House"<br>No.3, III Floor, Cenotaph Road<br>Teynampet, Chennai-600 018.<br>Tel No: 044-24311035<br>Fax No: 044-24311033<br>Website: www.tnpetro.com |
| • Designate e-mail ID | : | Investor may register their complaint to the designated e-mail ID viz. investorgrievance@tnpetro.com to the Compliance Officer for redressal. |

• Your Company has complied with the requirements of mandatory provisions of the Corporate Governance as required under Clause 49 of the Listing Agreement and has not adopted the non-mandatory requirements thereof.

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## CERTIFICATE ON COMPLIANCE TO THE CODE OF CONDUCT

To
The Members of Tamilnadu Petroproducts Ltd.

Pursuant to Clause 49(I) D (ii) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all Members of the Board of Directors and Senior Management personnel have affirmed compliance with the code of conduct of the Company for the period from 1st April 2007 to 31st March 2008.

RM. MUTHUKARUPPAN
MANAGING DIRECTOR

Place : Chennai
Date : 15th May 2008.

## 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 March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the 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 Clause 49 of the above mentioned Listing Agreement.

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 Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner
Membership No. 21209

Place : Chennai
Date : 15th May 2008

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

We have audited the attached balance sheet of Tamilnadu Petroproducts Limited, as at 31st March, 2008 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 misstatements. 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 (4 A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 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, 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 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) *The Company has, during the period 1995-2003, invested Rs.2764.50 lacs in SPIC Electric Power Corporation Private Limited and given advances against equity amounting to Rs.33.91 lacs during the financial years 2006 to 2008 for which no provision has been considered necessary by the management for the reasons stated in note 23. 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 and advances against equity;*

(vii) subject to paragraph (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 2008;

(b) in the case of the profit and loss account, of the loss 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 Deloitte Haskins & Sells
Chartered Accountants

B.Ramaratnam
Partner
Membership No. 21209

Place: Chennai
Date : 15th May 2008

**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, 2008**

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, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Physical verification of fixed assets was carried out during the year in accordance with this programme 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.

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.

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 procedures 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.

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.

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, value added tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues, with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2008 for a period of more than six months from the date they became payable.

(b) As on 31st March 2008, 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.

| Name of the statute | Nature of dues | Amount of demand net of deposits (Rs. in Lacs) | Period to which amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Various State Sales Tax Acts | Sales tax | 1,669.95 | 1993-94 to 2002-2003 | Tribunal |
| | | 40.27 | 1994-95 | Assistant Commissioner |
| Central Excise Act | Excise duty | 8.89 | 1994-2002 | High Court |
| | | 309.20 | 1994-2005 | Tribunal |
| | | 5.11 | 2002-2006 | Commissioner (Appeals) |
| | | 11.71 | 1994-1999 | Deputy Commissioner |
| Finance Act | Service tax | 35.31 | 1997-2006 | Tribunal |
| | | 0.05 | 2005-2006 | Commissioner (Appeals) |
| Income Tax Act | Income tax | 390.04 | Assessment Years 1998-99,1999-00, 2000-01, 2001-02 and 2002-03 | Tribunal |
| | | 56.48 | Assessment Year 2003-04 | Commissioner of Income Tax (Appeals) |

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 and financial institutions.

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.

xiii) The provisions of any special statute applicable to chit fund and nidhi/mutual benefit fund/ society are not applicable to the Company.

xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

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 purpose 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.

xix) The Company has not issued any debentures during the year.

xx) The company has not raised any money by way of public issues during the year.

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 or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

B.Ramaratnam
Partner
Membership No. 21209

Place: Chennai
Date : 15th May 2008

## BALANCE SHEET

As at 31st March, 2008

(Rupees in Lacs)

| | SCHEDULE | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | | |
| **Shareholders' Funds:** | | | | | |
| Share capital | 1 | **8,997.15** | | 8,997.15 | |
| Reserves and surplus | 2 | **27,548.47** | | 28,775.34 | |
| | | | **36,545.62** | | 37,772.49 |
| **Loan Funds:** | | | | | |
| Secured | 3 | **16,908.61** | | 19,626.47 | |
| Unsecured | 4 | **2,116.67** | | 1,821.76 | |
| | | | **19,025.28** | | 21,448.23 |
| **Deferred tax liability (net)** | | | **7,723.64** | | 8,386.45 |
| **TOTAL** | | | **63,294.54** | | 67,607.17 |
| **APPLICATION OF FUNDS** | | | | | |
| **Fixed Assets:** | 5 | | | | |
| Gross block | | **123,760.31** | | 120,099.70 | |
| Less: Depreciation | | **82,689.10** | | 80,812.92 | |
| Net block | | **41,071.21** | | 39,286.78 | |
| Capital work in progress including advances | | **3,893.61** | | 8,674.52 | |
| | | | **44,964.82** | | 47,961.30 |
| **Investments** | 6 | | **17,980.08** | | 17,980.08 |
| **Current Assets, Loans and Advances** | 7 | | | | |
| Inventories | | **5,541.67** | | 9,891.40 | |
| Sundry debtors | | **5,233.28** | | 5,705.82 | |
| Cash and bank balances | | **902.52** | | 919.49 | |
| Loans and advances | | **5,754.56** | | 4,419.33 | |
| | | **17,432.03** | | 20,936.04 | |
| **Less: Current Liabilities and Provisions** | 8 | | | | |
| Current liabilities | | **16,509.13** | | 18,781.93 | |
| Provisions | | **573.26** | | 488.32 | |
| | | **17,082.39** | | 19,270.25 | |
| **Net Current Assets** | | | **349.64** | | 1,665.79 |
| **TOTAL** | | | **63,294.54** | | 67,607.17 |
| Notes to the accounts | 12 | | | | |

As per our report of even date attached

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

TPL

## PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 2008

(Rupees in Lacs)

| | SCHEDULE | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Sales and services | | **88,733.02** | | 94,538.90 | |
| Less : Excise duty | | **10,942.45** | | 11,679.44 | |
| Net Sales and services | | | **77,790.57** | | 82,859.46 |
| Other income | 9 | | **2,450.60** | | 891.41 |
| | | | **80,241.17** | | 83,750.87 |
| **EXPENDITURE** | | | | | |
| Manufacturing and other expenses | 10 | | **76,403.56** | | 79,492.92 |
| Interest (net) | 11 | | **2,393.76** | | 2,473.69 |
| Depreciation for the year | | **3,302.58** | | 4,119.62 | |
| Less: Credit for amount withdrawn from revaluation reserve | | **20.11** | | 808.08 | |
| | | | **3,282.47** | | 3,311.54 |
| | | | **82,079.79** | | 85,278.15 |
| **(LOSS) BEFORE TAXATION** | | | **(1,838.62)** | | (1,527.28) |
| Provision for tax | | | | | |
| - current | | **-** | | - | |
| - deferred | | **(662.81)** | | (437.32) | |
| - fringe benefits | | **15.00** | | 16.00 | |
| | | | **(647.81)** | | (421.32) |
| **(LOSS) AFTER TAXATION** | | | **(1,190.81)** | | (1,105.96) |
| Balance brought forward | | | **7,088.26** | | 8,194.22 |
| Balance carried to balance sheet | | | **5,897.45** | | 7,088.26 |
| Earnings per share : Basic and diluted | | | **(1.32)** | | (1.23) |
| Notes to the accounts | 12 | | | | |

As per our report of even date attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

## Cash Flow Statement for the year ended 31st March 2008

(Rupees in Lacs)

| | | | | | |
|---|---|---|---|---|---|
| | | | **For the year ended 31st March, 2008** | | For the year ended 31st March, 2007 |
| **A** | **Cash Flow from Operating Activities:** | | | | |
| | **(Loss) before tax** | | **(1,838.62)** | | (1,527.28) |
| | Adjustment for : | | | | |
| | Depreciation | **3,282.47** | | 3,311.54 | |
| | (Profit) on sale / scrapping of fixed assets (net) | **(585.59)** | | (120.81) | |
| | Doubtful debts recovered | **-** | | (34.54) | |
| | Bad advances written off | **-** | | 1.15 | |
| | Unrealised exchange (gain) / loss (net) | **(79.08)** | | 54.20 | |
| | Interest expense | **2,476.90** | | 2,506.16 | |
| | Interest income | **(83.14)** | | (32.47) | |
| | | | **5,011.56** | | 5,685.23 |
| | Operating profit before working capital changes | | **3,172.94** | | 4,157.95 |
| | Adjustments for : | | | | |
| | (Increase)/Decrease in sundry debtors | **551.62** | | 1,570.92 | |
| | (Increase)/Decrease in inventories | **4,349.73** | | 1,006.34 | |
| | (Increase)/Decrease in loans and advances | **(1,210.43)** | | 999.91 | |
| | Increase/(Decrease) in current liabilities and provisions | **(2,181.41)** | | 533.35 | |
| | | | **1,509.51** | | 4,110.52 |
| | Cash generated from operations | | **4,682.45** | | 8,268.47 |
| | Direct taxes paid | | **(114.82)** | | (455.87) |
| | **Net Cash from Operating Activities** | | **4,567.63** | | 7,812.60 |
| **B** | **Cash Flow from Investing Activities:** | | | | |
| | Additions to fixed assets (including capital work in progress and advances) | **(854.49)** | | (1,714.72) | |
| | Advances to be adjusted against equity of new projects | **(5.18)** | | (26.33) | |
| | Proceeds from sale of fixed assets | **1,133.98** | | 163.21 | |
| | Interest received | **78.34** | | 50.21 | |
| | | | **352.65** | | (1,527.63) |
| | **Net Cash from / (used) in Investing Activities** | | **352.65** | | (1,527.63) |

*Cash Flow Statement for the year ended 31st March 2008 (continued)*

(Rupees in Lacs)

| | | | | | |
|---|---|---|---|---|---|
| | | | **For the year ended 31st March, 2008** | | For the year ended 31st March, 2007 |
| **C** | **Cash Flow from Financing Activities:** | | | | |
| | Proceeds from new borrowings | **1,615.30** | | 1,223.30 | |
| | Repayment of borrowings | **(4,038.25)** | | (4,288.42) | |
| | Dividends paid (including for previous years) | **(8.00)** | | (872.83) | |
| | Dividend tax paid | **-** | | (126.19) | |
| | Paid to Investor Education and Protection Fund | **(26.17)** | | (19.39) | |
| | Interest paid | **(2,480.13)** | | (2,772.45) | |
| | | | **(4,937.25)** | | (6,855.98) |
| | **Net Cash (used) in Financing Activities** | | **(4,937.25)** | | (6,855.98) |
| | ***Net Cash flows during the year (A+B+C)*** | | **(16.97)** | | (571.01) |
| | **Cash and cash equivalents (Opening balance)** | **919.49** | | 1,492.49 | |
| | Adjustment for unrealised exchange gain / (loss) | **-** | | (1.99) | |
| | | | **919.49** | | 1,490.50 |
| | **Cash and cash equivalents (Closing balance)** | | **902.52** | | 919.49 |
| | **Net increase / (decrease) in cash and cash equivalents** | | **(16.97)** | | (571.01) |

As per our report attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

RM. MUTHUKARUPPAN
Managing Director

V. RAMANI
Director & CFO

M.B. GANESH
Secretary

## SCHEDULES

### SHARE CAPITAL

**SCHEDULE - 1**

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| **Authorised** | | |
| 200,000,000 equity shares of Rs.10 each | **20,000.00** | 20,000.00 |
| **Issued** | | |
| 89,976,899 equity shares of Rs. 10 each (Note 2) | **8,997.69** | 8,997.69 |
| **Subscribed and fully paid up** | | |
| 89,971,474 equity shares of Rs. 10 each (Note 2) | **8,997.15** | 8,997.15 |

### RESERVES AND SURPLUS

**SCHEDULE - 2**

(Rupees in Lacs)

| | Balance as at 31st March, 2007 | Transfer from profit and loss account/additions during the year | Transfer to profit and loss account/deductions during the year | **Balance as at 31st March, 2008** |
|---|---|---|---|---|
| Capital reserve | 42.23 | - | - | 42.23 |
| | (42.23) | (-) | (-) | (42.23) |
| Securities premium account | 4,611.57 | - | - | 4,611.57 |
| | (4,611.57) | (-) | (-) | (4,611.57) |
| Revaluation reserve account (Note 4) | 2,126.95 | - | 20.11 | 2,106.84 |
| | (2,935.03) | (-) | (808.08) | (2,126.95) |
| General reserve | 14,906.33 | - | 15.95* | 14,890.38 |
| | (14,906.33) | (-) | (-) | (14,906.33) |
| Profit and loss account | 7,088.26 | 5,897.45 | 7,088.26 | 5,897.45 |
| | (8,194.22) | (7,088.26) | (8,194.22) | (7,088.26) |
| | 28,775.34 | 5,897.45 | 7,124.32 | 27,548.47 |
| | (30,689.38) | (7,088.26) | (9,002.30) | (28,775.34) |

* Refer Note 28

Figures in brackets relate to previous year.

## SECURED LOANS

## SCHEDULE - 3

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| Loans from financial institutions | | |
| Term loans [amounts due within one year Rs. 416.64 lacs (Previous year Rs. 416.64 lacs)] | **1,145.76** | 1,562.40 |
| Loans from banks | | |
| Term loans [amounts due within one year Rs. 2,083.33 lacs (Previous year Rs. 2,083.33 lacs)] | **6,856.83** | 8,940.24 |
| Others (Long term) | | |
| [Amounts due within one year Rs. 1,486.28 lacs (Previous year Rs. 1,616.46 lacs)] | **3,098.58** | 3,468.82 |
| Others (Short term) | **5,807.44** | 5,655.01 |
| | **16,908.61** | 19,626.47 |

Note:

1. Term Loan of Rs. 1,145.76 lacs (previous year Rs. 1,562.40 lacs) from a financial institution is secured by 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 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 & 3 (A).

2. Term loans from banks of Rs. 6,856.83 lacs (previous year Rs. 8,940.24 lacs) 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 3 (A) (b) & (c) and 3 (B) below) ranking pari passu with the loans stated in note 1 & 3 (A).

3. (A) Term loan (others) of Rs. 1,375.00 lacs (previous year Rs. 2,750.00 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 3(B) ranking pari passu with the loans stated in note 1 & 2

   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 India Limited.

   (B) Term Loan of Rs. 1,723.58 lacs (previous year Rs. 718.82 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and rent receivables on the said property.

4. Other (short term) loans from banks of Rs. 5,807.44 lacs (previous year Rs. 5,655.01 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 of immovable properties, both present and future, on second charge basis ranking pari passu and except for exclusive charges stated in note 3 above.

**UNSECURED LOANS** **SCHEDULE - 4**

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| Interest free Sales Tax Loan | **2,116.67** | 1,821.76 |
| | **2,116.67** | 1,821.76 |

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

(Rupees in Lacs)

| Description | COST / VALUATION | | | | DEPRECIATION | | | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.2007 | Additions / Adjustments | Deductions / Adjustments | **As at 31.03.2008** | As at 31.03.2007 | For the year | Deductions / Adjustments | **As at 31.03.2008** | **As at 31.03.2008** | As at 31.03.2007 |
| Land | 2,748.28 | - | - | **2,748.28** | - | - | - | **-** | **2,748.28** | 2,748.28 |
| Buildings | 5,825.37 | - | 13.49 | **5,811.88** | 1,517.91 | 135.50 | 4.51 | **1,648.90** | **4,162.98** | 4,307.46 |
| Plant and machinery | 110,291.68 | 5,620.50 | 1,774.68 | **114,137.50** | 78,431.87 | 3,106.72 | 1,261.20 | **80,277.39** | **33,860.11** | 31,859.81 |
| Furnitures and fixtures | 144.92 | 5.20 | 7.55 | **142.57** | 104.74 | 5.67 | 2.33 | **108.08** | **34.49** | 40.18 |
| Office and other equipment | 855.83 | 0.18 | - | **856.01** | 563.78 | 43.68 | - | **607.46** | **248.55** | 292.05 |
| Vehicles | 137.62 | 9.52 | 83.07 | **64.07** | 118.12 | 4.71 | 75.56 | **47.27** | **16.80** | 19.50 |
| Ships - Barges | 96.00 | - | 96.00 | **-** | 76.50 | 6.30 | 82.80 | **-** | **-** | 19.50 |
| | 120,099.70 | 5,635.40 | 1,974.79 | **123,760.31** | 80,812.92 | 3,302.58 | 1,426.40 | **82,689.10** | **41,071.21** | |
| Previous year | 120,185.01 | 644.58 | 729.89 | **120,099.70** | 77,380.79 | 4,119.62 | 687.49 | **80,812.92** | | 39,286.78 |
| Capital work in progress including advances ( Refer Note 24 ) | | | | | | | | | **3,893.61** | 8,674.52 |
| | | | | | | | | | **44,964.82** | 47,961.30 |

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**INVESTMENTS** **SCHEDULE - 6**

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| **Long Term Investments** | | |
| **Shares, debentures and bonds** | | |
| **Trade (at cost) (quoted)** | | |
| Henkel 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) | **-** | - |
| **Trade (at cost) (unquoted)** | | |
| **Subsidiary companies:** | | |
| Certus Investment & Trading Limited, Mauritius | | |
| 2,04,190 equity shares of US dollar 100 each | **9,645.13** | 9,645.13 |
| SPIC Electric Power Corporation (Private) Limited | | |
| 2,76,44,955 equity shares of Rs. 10 each (Refer Note 23) | **2,764.50** | 2,764.50 |
| **Associate company :** | | |
| Petro Araldite Private Limited | | |
| 13,68,000 equity shares of Rs. 100 each | **1,368.00** | 1,368.00 |
| | **17,980.08** | 17,980.08 |
| Aggregate value of unquoted investments | **13,777.63** | 13,777.63 |
| Aggregate value of quoted investments (net of provisions) | **4,202.45** | 4,202.45 |
| Market value of quoted investments | **3,733.71** | 4,082.84 |

**CURRENT ASSETS, LOANS AND ADVANCES** **SCHEDULE - 7**

(Rupees in Lacs)

| | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|
| **A. CURRENT ASSETS:** | | | | |
| **Inventories** | | | | |
| Stores | **2,842.03** | | 2,680.50 | |
| Loose tools | **3.64** | | 3.97 | |
| Raw materials | **1,234.90** | | 3,448.13 | |
| Work in process | **88.57** | | 463.12 | |
| Finished goods | **1,372.53** | | 3,295.68 | |
| | | **5,541.67** | | 9,891.40 |
| **Sundry debtors (Unsecured)** | | | | |
| Outstanding over six months | | | | |
| Considered good | **0.17** | | 4.86 | |
| Considered doubtful | **67.54** | | 67.54 | |
| | **67.71** | | 72.40 | |
| Outstanding under six months | | | | |
| Considered good | **5,233.11** | | 5,700.96 | |
| | **5,300.82** | | 5,773.36 | |
| Less : Provision for doubtful debts | **67.54** | | 67.54 | |
| | | **5,233.28** | | 5,705.82 |
| **Cash and bank balances** | | | | |
| Cash on hand | **1.50** | | 1.46 | |
| Cheques on hand | **317.48** | | 186.28 | |
| With scheduled banks: | | | | |
| On current accounts | **451.15** | | 586.58 | |
| On deposit accounts | **0.90** | | 1.84 | |
| On margin money account | **131.49** | | 143.33 | |
| | | **902.52** | | 919.49 |
| **B. LOANS AND ADVANCES:** | | | | |
| (Unsecured) | | | | |
| Advances recoverable in cash or in kind or for value to be received | | | | |
| Considered good | **4,849.26** | | 3,547.77 | |
| Considered doubtful | **125.23** | | 125.23 | |
| | **4,974.49** | | 3,673.00 | |
| Less : Provision for doubtful advances | **125.23** | | 125.23 | |
| | **4,849.26** | | 3,547.77 | |
| Balances with excise and customs authorities | **328.98** | | 410.06 | |
| Taxation (net of provisions) | **576.32** | | 461.50 | |
| | | **5,754.56** | | 4,419.33 |
| | | **17,432.03** | | 20,936.04 |

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## CURRENT LIABILITIES AND PROVISIONS

**SCHEDULE - 8**

(Rupees in Lacs)

| | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|
| **A. CURRENT LIABILITIES** | | | | |
| Acceptances | | **2,094.70** | | 2,279.98 |
| Sundry creditors | | | | |
| - Total outstanding dues to micro enterprises and small enterprises | **-** | | - | |
| - Others | **12,265.36** | | 14,315.94 | |
| | | **12,265.36** | | 14,315.94 |
| Unpaid dividends | | **128.22** | | 162.39 |
| Interest accrued but not due | | **1.65** | | 4.88 |
| Advances received from customers | | **2,019.20** | | 2,018.74 |
| | | **16,509.13** | | 18,781.93 |
| **B. PROVISIONS** | | | | |
| Compensated absences | | **237.46** | | 163.85 |
| Gratuity | | **13.81** | | 17.48 |
| Taxation (net of payments) | | **321.99** | | 306.99 |
| | | **573.26** | | 488.32 |
| | | **17,082.39** | | 19,270.25 |

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2008.

## OTHER INCOME

**SCHEDULE - 9**

(Rupees in Lacs)

| | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Scrap Sales | **356.38** | 125.17 |
| Exchange difference (net) | **73.34** | 67.22 |
| Rent | **320.72** | 311.33 |
| Insurance claims | **831.06** | 13.47 |
| Profit on sale of assets (net) | **585.59** | 120.81 |
| Doubtful debts recovered | **-** | 34.54 |
| Miscellaneous income | **283.51** | 218.87 |
| | **2,450.60** | 891.41 |

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

(Rupees in Lacs)

| | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|
| Raw materials and Intermediates consumed | | **42,570.00** | | 44,240.97 |
| Purchase of traded goods | | **768.51** | | - |
| Stores and spare parts consumed | | **2,255.61** | | 2,549.30 |
| Utilities consumed | | **868.62** | | 844.40 |
| Power and fuel | | **16,682.30** | | 16,197.00 |
| Payments to and provisions for employees | | | | |
| Salaries and allowances | | **1,416.54** | | 1,539.00 |
| Contribution to provident and other funds | | **159.63** | | 108.09 |
| Staff welfare | | **358.01** | | 374.11 |
| Travel and conveyance | | **194.36** | | 214.80 |
| Insurance | | **260.30** | | 375.73 |
| Rent | | **152.36** | | 172.35 |
| Rates and taxes | | **23.32** | | 398.17 |
| Repairs and maintenance | | | | |
| Machinery | **875.60** | | 755.85 | |
| Buildings | **91.53** | | 111.33 | |
| Others | **171.24** | | 183.00 | |
| | | **1,138.37** | | 1,050.18 |
| Discounts | | **3,765.83** | | 8,356.74 |
| Commission | | **279.57** | | 278.20 |
| Freight | | **2,191.95** | | 2,398.42 |
| Directors' sitting fees | | **10.70** | | 13.50 |
| Bad advances written off | **-** | | 37.81 | |
| Less : Provision for doubtful advances written back | **-** | | 36.66 | |
| | | **-** | | 1.15 |
| Legal and professional charges | | **187.22** | | 114.05 |
| Miscellaneous expenses | | **703.33** | | 729.36 |
| Increase / (Decrease) in excise duty included in opening and closing stock of finished goods | | **119.33** | | 275.10 |
| (Increase) / Decrease in work in process and finished goods | | | | |
| Opening Stock | | | | |
| Work in process | **463.12** | | 1,565.94 | |
| Finished goods | **3,295.68** | | 1,455.16 | |
| | **3,758.80** | | 3,021.10 | |
| Closing Stock | | | | |
| Work in process | **88.57** | | 463.12 | |
| Finished goods | **1,372.53** | | 3,295.68 | |
| | **1,461.10** | | 3,758.80 | |
| | | **2,297.70** | | (737.70) |
| | | **76,403.56** | | 79,492.92 |

**INTEREST** **SCHEDULE - 11**

(Rupees in Lacs)

| | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|
| Interest expenses | | | | |
| - on fixed period loans | 1,184.12 | | 1,444.98 | |
| - on others | 1,292.78 | | 1,331.32 | |
| | | 2,476.90 | | 2,776.30 |
| | | 2,476.90 | | 2,776.30 |
| Less : Interest income | | | | |
| - on bank and inter corporate deposits (tax deducted at source Rs. 4.58 lacs; previous year Rs. 6.69 lacs) | 23.20 | | 23.51 | |
| - on others | 59.94 | | 8.96 | |
| | | 83.14 | | 32.47 |
| | | 2,393.76 | | 2,743.83 |
| Less : Interest capitalised | | - | | 270.14 |
| | | 2,393.76 | | 2,473.69 |

**SCHEDULE - 12**

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

### 1 ACCOUNTING POLICIES

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

### I BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets etc. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

### II 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 VAT) 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 pro-rata 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. The plant has been fully depreciated in the year ended 31st March 2007.

**III IMPAIRMENT OF 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.

**IV FOREIGN CURRENCY TRANSACTIONS**

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

Foreign currency monetary assets and liabilities are translated at exchange rates prevailing on the Balance Sheet date or at forward cover rates and gain or loss arising on such translation are adjusted to the profit and loss account and forward cover premium is recognised over the life of the contract.

**V INVESTMENTS**

Long term investments are valued at their acquisition cost, less provision for diminution in value, other than temporary.

**VI INVENTORIES**

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

a. Stores, loose tools and raw materials at moving weighted average rates.

b. Work-in-process and finished goods at full absorption costing method.

**VII REVENUE RECOGNITION**

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

**VIII EMPLOYEE BENEFITS**

**Short term employee benefits**

Short term employee benefits are recognised as an expense at the undiscounted amounts in the Profit and Loss account of the year in which the related services are rendered.

**Defined Contribution Plans**

**Superannuation:**

This plan covers Wholetime directors of the Company and is administered by the Life Insurance Corporation of India. Contributions are made monthly at a predetermined rate to the Trust and debited to the Profit and Loss account on an accrual basis.

**Defined Benefits Plans**

**a) Provident Fund:**

Contributions are made monthly at a predetermined rate to the Provident Fund Trust managed by the company and debited to the Profit and Loss account on an accrual basis. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rates and recognize such shortfall as an expense.

**b) Long term compensated absences:**

Liability towards long term compensated absences is accrued based on an actuarial valuation at the balance sheet date based on the projected unit credit method and is not funded.

**c) Gratuity:**

The Company has an arrangement with the Life Insurance Corporation of India to administer its Gratuity fund. Premium paid / payable is determined based on an actuarial valuation carried out by LIC using the projected unit credit method as on the Balance Sheet date and debited to the Profit & Loss account on accrual basis. Actuarial gain or loss is recognised in the statement of profit or loss as income or expense.

**IX TAXES ON INCOME**

In accordance with the provisions of the Income Tax Act 1961, current tax is determined as the amount of tax payable 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.

Deferred tax assets in respect of unabsorbed depreciation and carried forward losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

**X CONTINGENT LIABILITIES**

**Provisions and contingencies**

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. Contingent assets are neither recognised nor disclosed in the financial statement.

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. Research and development expenses incurred on revenue account is Rs.7.36 lacs (Previous year Rs.9.63 lacs).

4. The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs. 20.11 lacs (previous year Rs.808.08 lacs) representing additional depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.

(Rs. in Lacs)

| | As at March 31, 2008 | As at March 31, 2007 |
|---|---|---|
| 5. Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances) | **Nil** | 29.83 |
| 6. **Contingent Liabilities** | | |
| a) Bills discounted with recourse | **434.91** | 513.14 |
| b) Other claims not acknowledged as debts | | |
| **i) Sales tax** | **1710.22** | 8,798.18 |
| The demands relate to disallowance of claims for exemption of turnover arising on account of stock transfers to branches and genuineness of declarations filed by certain customers for availing concessional rate of tax. | | |
| **ii) Excise duty** | **372.75** | 566.92 |
| **iii) Service Tax** | **67.85** | 67.85 |
| **iv) Income Tax** | **21.91** | 1,150.01 |
| The above amounts 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. | | |
| **v) Electricity Cess** | **1,060.71** | Nil |
| Vide a Government Order dated 23rd September 1996, the Tamilnadu Government exempted specified industries permanently from payment of electricity tax on consumption of self generated electrical energy under the Tamilnadu Electricity (Taxation on Consumption) Act, 1962. | | |
| The Tamilnadu Tax on Consumption or Sale of Electricity Act, 2003 repealed the 1962 Act, and withdrew the earlier exemption granted to specified industries. The Company's appeal against the withdrawal of exemption was dismissed by the Madras High Court. The Company filed a special leave petition before the Supreme Court against the verdict. On 15th May 2007 the Supreme Court upheld that the 2003 Act was not valid in respect of industries which were permanently exempted from payment of tax. | | |
| Consequent to the Supreme Court judgment upholding the exemption, the Company (in June 2007) reversed the provision for electricity tax amounting to Rs. 878.77 lacs made since 2003-04. | | |
| Subsequently, the Government of Tamilnadu passed the Tamilnadu Tax on Consumption or Sale of Electricity Amendment Act in November 2007 amending the 2003 Act to invalidate the exemption granted with retrospective effect. In December 2007, the Company filed a writ petition before the Madras High Court challenging the Amendment Act. On 13th February 2008, the High Court passed an interim order that in the event of non payment of tax on consumption for those covered under exemption, TNEB is at liberty to make the demand but not enforce it until further orders. | | |

(Rs. in Lacs)

| | | Year ended March 31, 2008 | Year ended March 31, 2007 |
|---|---|---|---|
| 7. | **Dividend paid in foreign currency** | | |
| | Number of shareholders | - | 14 |
| | Number of shares held | - | 19,22,200 |
| | Amount of dividend paid (Rs. lacs) | - | 19.22 |
| | Dividend for the year ended | - | March 31,2006 |
| 8. | **Managerial Remuneration** | | |
| | Wholetime Directors' remuneration | **62.24** | 44.49 |
| | Contribution to provident and other funds | **6.59** | 5.07 |
| | Directors' Sitting Fee | **10.70** | 13.50 |
| | | **79.53** | 63.06 |

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

| | | | Year ended March 31, 2008 | | Year ended March 31, 2007 |
|---|---|---|---|---|---|
| | (Loss) before taxation as per profit and loss account | | **(1,838.62)** | | (1,527.28) |
| Add: | Depreciation as per accounts | **3,282.47** | | 3,311.55 | |
| | Managerial remuneration | **79.53** | | 63.06 | |
| | (Profit)/Loss on sale of assets (net) as per accounts | **(585.59)** | | (120.81) | |
| | | | **2,776.41** | | 3,253.80 |
| | | | **937.79** | | 1,726.52 |
| Less: | Depreciation under section 350 of the Companies Act, 1956 | **3,282.47** | | 3,734.84 | |
| | (Profit)/Loss on sale of assets (net) as per Section 349 of the Companies Act, 1956 | **(299.09)** | | (120.81) | |
| | | | **2,983.38** | | 3,614.03 |
| | Net Loss in terms of Section 198 of the Companies Act, 1956 | | **(2,045.59)** | | (1,887.51) |
| | Excess of expenditure over income under Section 349(4) (1) of the Companies Act, 1956 | | **(1,906.50)** | | (18.99) |
| | | | **(3,952.09)** | | (1,906.50) |
| | Commission to non-wholetime directors | | **Nil** | | Nil |
| 10. | **Auditor's remuneration** | | | | |
| | Audit fee | | **15.00** | | 14.00 |
| | Other services | | **2.00** | | 2.19 |
| | Reimbursement of expenses / levies | | **0.17** | | 0.31 |

(Rs. in Lacs)

| | | Year ended March 31, 2008 | Year ended March 31, 2007 |
|---|---|---|---|
| 11. | **CIF Value of imports** | | |
| | Capital goods | **Nil** | 140.68 |
| | Intermediates | **201.79** | 2,767.37 |
| | Raw materials | **260.90** | 1,706.30 |
| | Traded goods | **768.51** | - |
| | Stores and spares | **137.29** | 869.75 |
| 12. | **Expenditure in foreign currency** | | |
| | Travel and training | **13.70** | 8.39 |
| | Technical fees | **50.49** | 317.32 |
| | Others | **28.42** | 101.22 |
| 13. | **Earnings in foreign exchange** | | |
| | Export of goods on FOB basis | **4,552.40** | 6,076.59 |

14. **Capacity and Production**

| Class of goods | Unit of Measurement | Installed Capacity* | | Actual production | |
|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Linear Alkyl Benzene | MT | 1,20,000 | 95,000 | 78,630 | 85,270 |
| Heavy Normal Paraffin | MT | 15,000 | 15,000 | 612 | 639 |
| Heavy Alkylate | MT | N.A. | N.A. | 2,749 | 3,969 |
| Epichlorohydrin | MT | 10,000 | 10,000 | 8,967 | 9,753 |
| Wind Power | KW/Units | 12,000 KW | 12,000 KW | 15,988,837 Units | 17,268,865 Units |
| Caustic Soda | MT | 56,100 | 56,100 | 55,844 | 58,840 |
| Chlorine | MT | 40,000 | 40,000 | 44,313 | 47,338 |
| Hydrochloric acid | MT | 39,600 | 39,600 | 37,642 | 34,050 |
| Ammonium Chloride | MT | 21,000 | 21,000 | 350 | 1,257 |

* as certified by the management and relied on by the auditors without verification being a technical matter. The above products are delicensed.

N.A Not applicable

15. **(a) Raw materials and intermediates consumed**

| | Unit of Measurement | **Year ended March 31, 2008** | | Year ended March 31, 2007 | |
|---|---|---|---|---|---|
| | | **Quantity** | **Value (Rs. Lacs)** | Quantity | Value (Rs. Lacs) |
| Kerosene | KL | **57,319** | **16,686.86** | 63,527 | 18,048.90 |
| Benzene | MT | **26,439** | **12,900.89** | 28,819 | 13,112.10 |
| Normal Paraffin | MT | **17,278** | **8,201.63** | 18,434 | 7,796.83 |
| Others | | | **4,780.62** | | 5,283.14 |
| Total | | | **42,570.00** | | 44,240.97 |

(b) Consumption of imported and indigenous raw materials, stores and spare parts and percentage of each to total consumption.

**(i) Raw materials and intermediates consumed**

| | **Year ended March 31, 2008** | | Year ended March 31, 2007 | |
|---|---|---|---|---|
| | **% of Total Consumption** | **Value (Rs. Lacs)** | % of Total Consumption | Value (Rs. Lacs) |
| Imported | **0.37** | **159.43** | 28 | 12,428.13 |
| Indigenous | **99.63** | **42,410.57** | 72 | 31,812.84 |
| | **100** | **42,570.00** | 100 | 44,240.97 |
| **(ii) Stores and spare parts consumed** | | | | |
| Imported | **24** | **547.68** | 41 | 1,042.46 |
| Indigenous | **76** | **1,707.93** | 59 | 1,506.84 |
| | **100** | **2,255.61** | 100 | 2,549.30 |

16. **Purchase of traded goods**

| | Unit of Measurement | **Year ended March 31, 2008** | | Year ended March 31, 2007 | |
|---|---|---|---|---|---|
| | | **Quantity** | **Value (Rs. Lacs)** | Quantity | Value (Rs. Lacs) |
| Benzene | MT | **1508** | **768.51** | - | - |

There are no opening and closing stocks of traded goods.

17. **Sales**

| | Unit of Measurement | **Year ended March 31, 2008** | | Year ended March 31, 2007 | |
|---|---|---|---|---|---|
| | | **Quantity** | **Value (Rs. Lacs)** | Quantity | Value (Rs. Lacs) |
| Linear Alkyl Benzene | MT | **82,160** | **64,163.86** | 82,394 | 66,547.96 |
| Epichlorohydrin | MT | **8,745** | **8,082.50** | 9,752 | 10,444.00 |
| Others | | | **16,486.66** | | 17,546.94 |
| Total | | | **88,733.02** | | 94,538.90 |

18. **Stock particulars of finished goods**

| | **Year ended March 31, 2008** | | | | Year ended March 31, 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Opening Stock** | | **Closing Stock** | | Opening Stock | | Closing Stock | |
| | **Quantity MT** | **Value (Rs. Lacs)** | **Quantity MT** | **Value (Rs. Lacs)** | Quantity MT | Value (Rs. Lacs) | Quantity MT | Value (Rs. Lacs) |
| Linear Alkyl Benzene | **4,447** | **3,095.32** | **879** | **731.72** | 1,681 | 1,166.17 | 4,447 | 3,095.32 |
| Others | | **200.36** | | **640.81** | | 288.99 | | 200.36 |
| Total | | **3,295.68** | | **1,372.53** | | 1,455.16 | | 3,295.68 |

19. (a) The Company has obtained exemption from the Government of India, Department of Company Affairs, vide Order No. 46/204/2007-CL-III dated 9th May 2008, 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, only for those goods, for which total quantity manufactured / traded is less than 10% of total value of goods.

(b) The Government of India, Department of Company Affairs vide its Order No. 46/204/2007-CL-III dated 9th May 2008 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.

20. The company is in the process of identifying suppliers who have registered under "The Micro, Small and Medium Enterprises Development Act, 2006". As of date, the Company has not received confirmation from any registered supplier and hence no disclosure has been made under the said Act.

21 **Earnings per share**

| | **Year ended March 31, 2008** | Year ended March 31, 2007 |
|---|---|---|
| (Loss) after taxation (Rs. in Lacs) | **(1,190.81)** | (1,105.96) |
| Weighted number of equity shares outstanding | **89,971,474** | 89,971,474 |
| Basic and diluted earnings per share (Face value – Rs.10/- per share) | **(1.32)** | (1.23) |

TPL

22. **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<br>2.Tamilnadu Industrial Development Corporation Limited |
| B) | Associate | Petro Araldite Private Limited |
| C) | Subsidiaries | 1.Certus Investment and Trading Limited (CITL), Mauritius<br>2.Certus Investment and Trading (S) Private Limited<br>3.TPL India Singapore Private Limited<br>4.SPIC Electric Power Corporation (Private) Limited<br>5. Leo Utility and Power Limited (upto May 5, 2006) |
| D) | Joint Venture | Gulf Petroproduct 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<br>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

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 | | | -<br>(2.50) | | | |
| | Leo Utility and Power Limited | | | | -<br>(1.15) | | |
| | SPIC Electric Power Corporation (Private) Limited | | | | 5.18<br>(22.68) | | |
| 2 | Sale of goods | 18.25<br>(35.75) | 8690.58<br>(8219.07) | | | | |
| | Certus Investments and Trading Limited | | | | 1486.39<br>(2405.28) | | |
| 3 | Service/Consultancy charges paid | 10.41<br>(8.92) | | | | | |
| 4 | Commission paid | 32.31<br>(35.71) | | | | | |
| 5 | Managerial remuneration | | | | | 68.83<br>(49.56) | |
| 6 | Rent paid | 1.73<br>(1.81) | | | | | |
| 7 | Reimbursement of expenses | 30.18<br>(23.37) | | | | | |
| 8 | Advances written off<br>Leo Utility and Power Limited | | | | -<br>(37.81) | | |
| 9 | Sitting fees (TIDCO) | 3.30<br>(3.80) | | | | | |
| 10 | Dividend paid | | | | | -<br>(0.01) | -<br>(0.01) |
| | Southern Petrochemical Industries Corporation Limited (SPIC) | -<br>(152.34) | | | | | |
| | Tamilnadu Industrial Development Corporation Limited (TIDCO) | -<br>(158.44) | | | | | |
| 11 | Balance outstanding as of 31st March 2008 | 30.14 Cr<br>(16.53)Cr | 289.41Dr<br>(629.62)Dr | 158.37Dr<br>(158.37)Dr | 916.09 Dr<br>(1,495.66)Dr | 18.00 Cr<br>(14.38)Cr | -<br>(-) |

Transactions with promoters are with SPIC unless otherwise disclosed.

Figures in brackets are in respect of the previous year

23 As at 31st March 2008, 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 and advances against equity of Rs.33.91 lacs made during the financial years 2006 to 2008. The Company signed a Memorandum of Understanding (MOU) 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 regulatory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement (PPA), TNEB had 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 allocation of Escrow. The Company is awaiting the outcome of the case.

Due to non payment of land lease rentals, the Tuticorin Port Trust (TPT) sought to repossess the land allotted to SEPC for the power project. SEPC approached the High Court for appointment of an arbitrator and simultaneously filed a writ petition seeking an interim injunction restraining TPT from transferring the land by way of lease or otherwise to any other party. The High Court granted the injunction on 28th August 2007.

The Company and SEPC have executed a MOU with an Investor company on 14th June 2007 for implementation of the power project. The Investor company has agreed to bring in 74% of the equity for the project. The terms of the Shareholders agreement between the Investor company and the Company is under negotiation and is expected to be executed soon. The Investor company has been meeting the day to day expenses of SEPC since August 2007 and has expended an amount of Rs.26.45 lacs up to 31.03.2008. The investor company has also agreed to pay the overdue land lease rentals.

In view of these developments, no provision in the value of investment and advance against equity is considered necessary at this stage.

24 During the year 2004, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. The equipments and drawings pertaining to this project amounting to Rs.2,138.81 lacs, included in capital work in progress, is expected to be transferred at not less than cost to the proposed overseas project at Singapore during 2009-10.

25 **Joint Venture Disclosure**

i) Interest in Joint Venture

| Name of Company | Country of Incorporation | Proportion of ownership interest |
|---|---|---|
| Gulf Petroproduct Company E.C.* | Kingdom of 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 | **Current year** | Previous year |
|---|---|---|
| I a) Net Fixed Assets | **-** | - |
| b) Cash and Bank Balances | **2.12** | 3.73 |
| c) Loans and Advances | **1,422.90** | 1534.63 |
| II Current Liabilities and Provisions | **1,067.35** | 1163.99 |
| Advance received towards equity | **198.38** | 201.79 |
| III Expenses | **0.71** | 0.73 |
| Depreciation | **-** | 0.09 |

26. **Details of Deferred tax asset / (liability) is as under** (Rs in lacs )

| | As at March 31, 2007 | Tax effect for the year | **As at March 31, 2008** |
|---|---|---|---|
| Deferred tax asset : | | | |
| Unabsorbed depreciation / carry forward business loss | 32.00 | 1,085.37 | **1,117.37** |
| Accrued expenses deductible on payment | 354.00 | (284.88) | **69.12** |
| Provision for doubtful debts/Advances | 65.53 | - | **65.53** |
| Total | 451.53 | 800.49 | **1,252.02** |
| Deferred tax (liability): | | | |
| Fixed assets | (8,837.98) | (137.68) | **(8,975.66)** |
| Net deferred tax (liability) | (8,386.45) | 662.81 | **(7,723.64)** |

27. **Derivative instruments:**

a) Forward Exchange Contracts entered into by the Company and outstanding at the year end are as follows:

| No. of Contracts | US Dollars | Equivalent in Rupees (Lacs) |
|---|---|---|
| - | - | - |
| (2) | (367,886) | (164.91) |

b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

| | US Dollars | Equivalent in Rupees (Lacs) |
|---|---|---|
| Amount receivable in Foreign currency - Exports | 29,23,516 | 1273.09 |
| | (35,47,882) | (1541.20) |

Figures in brackets are in respect of the previous year.

28. **Employee Defined Benefit Plans** (Rs. in Lacs)

| | | Gratuity (Funded) | Compensated Absences (Not funded) |
|---|---|---|---|
| **a.** | **Net Asset/ (Liability) recognized in the Balance Sheet as at March 31, 2008** | | |
| | Present value of obligation | (368.09) | (237.46) |
| | Fair value of plan assets | 354.28 | - |
| | Net liability | **(13.81)** | **(237.46)** |
| **b.** | **Expense recognized in the Profit & Loss account for the year ended March 31, 2008** | | |
| | Current service cost | 21.45 | 9.86 |
| | Interest cost | 22.18 | 14.92 |
| | Expected return on plan assets | (24.74) | - |
| | Actuarial (gains) / Losses | 48.94 | 41.80 |
| | Total expense | **67.83** | **66.58** |
| **c.** | **Change in present value of Obligation during the year ended March 31, 2008** | | |
| | Present value of defined benefit obligation as at the beginning of the year | 321.31 | 197.46 |
| | Current service cost | 21.45 | 9.86 |
| | Interest cost | 22.18 | 14.92 |
| | Actuarial (gains) /losses | 54.35 | 41.80 |
| | Benefits paid | (51.20) | (26.58) |
| | Present value of defined benefit obligation as at the end of the year | **368.09** | **237.46** |
| **d.** | **Change in fair value of plan assets during the year ended March 31, 2008** | | |
| | Plan assets at the beginning of the year | 335.63 | - |
| | Expected return on plan assets | 24.74 | - |
| | Actuarial gains /(losses) | 5.41 | - |
| | Contributions by employer | 39.70 | - |
| | Benefits paid | (51.20) | - |
| | Plan assets at the end of the year | **354.28** | **-** |
| **e.** | **Principal actuarial assumptions as at March 31, 2008** | | |
| | Discount rate | 8% | 7.75% |
| | Expected return on plan assets | 8% | |
| | Mortality Table - LIC (94-96) Ultimate Mortality | | |
| **f.** | Basis used to determine expected rate of return | | |
| | The information on major categories of plan assets and expected return on each class of plan assets are not readily available. However LIC has confirmed that the average rate of return on plan assets is 8% | | |
| **g.** | Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions and other factors. | | |

As the company has adopted Accounting Standard -15, Employee Benefits (revised 2005) from the current year, previous year figures have not been disclosed.

In accordance with Accounting Standard – 15, provision for compensated absences of Rs. 15.95 lacs on initial adoption of the standard has been adjusted against the General Reserve.

29. **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. | 0 | 1 | 0 | 9 | 3 | 1 | State Code : | 1 | 8 |

Balance Sheet : | 3 | 1 | (Date) | 0 | 3 | (Month) | 0 | 8 | (Year)

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

| | |
|---|---|
| Public Issue | Rights Issue |
| - - - N I L - - - | - - - N I L - - - |
| Bonus Issue | Private Placement |
| - - - N I L - - - | - - - N I L - - - |

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

| | |
|---|---|
| Total Liabilities | Total Asets |
| 8 0 3 7 6 9 3 | 8 0 3 7 6 9 3 |

**Source of Funds**

| | |
|---|---|
| Paid-up Capital | Reserves & Surplus |
| 8 9 9 7 1 5 | 2 7 5 4 8 4 7 |
| Secured Loans | Unsecured Loans |
| 1 6 9 0 8 6 1 | 2 1 1 6 6 7 |
| Deferred Tax Liabilities (net) | |
| 7 7 2 3 6 4 | |

**Application of Funds**

| | |
|---|---|
| Net Fixed Assets | Investments |
| 4 4 9 6 4 8 2 | 1 7 9 8 0 0 8 |
| Net Current Assets | |
| 3 4 9 6 4 | |
| Accumulated Losses | Misc Expenditure |
| - - - N I L - - - | - - - N I L - - - |

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

| | |
|---|---|
| Turnover (including other income) | Total Expenditure |
| 8 0 2 4 1 1 7 | 8 2 0 7 9 7 9 |
| Profit Before Tax (+ / - : ✔ -) | Profit After Tax (+ / - : ✔ -) |
| 1 8 3 8 6 2 | 1 1 9 0 8 1 |
| Basic Earnings per Share in Rs. | Dividend rate % |
| - 1 . 3 2 | - N I L - |

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

Item Code No. | 3 | 8 | 1 | 7 | 1 | 0 | 0 | 1 |

Product Decription | L I N E A R   A L K Y L   B E N Z E N E |

Item Code No. | 2 | 9 | 1 | 0 | 3 | 0 | 0 | 0 |

Product Description : | E P I C H L O R O H Y D R I N |

Item Code No. | 2 | 8 | 1 | 5 | 1 | 2 |

Product Description : | C A U S T I C   S O D A |

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

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

Place : Chennai

Date : 15th May 2008

**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 note 1) | TPL India Singapore Private Limited (see foot note 1) | SPIC Electric Power Corporation (Private) Limited |
|---|---|---|---|---|
| 1. The Financial Year of the Subsidiary Companies ended on | 31st December, 2007 | 31st December, 2007 | 31st December, 2007 | 31st March, 2008 |
| 2. Date from which they became Subsidiary Companies | 30th October, 2001 | 10th November, 2004 | 11th May, 2006 | 26th September, 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 | 2,04,190 Equity Shares of the face value of US $ 100 each fully paid-up | 18,75,339 Equity Shares of the face value of US $ 1 each fully paid-up held by Certus Investment & Trading Limited | 3,00,000 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 |
| b. Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies | 100.00% | 100.00% | 100.00% | 98.22% |
| 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 $ 8,31,905<br>Rs. 333.76 lacs | US $ (5,612)<br>Rs.(2.25) lacs | US $ (90,842)<br>Rs.(36.45) lacs | NIL |
| ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries | US $ 1,521,389<br>Rs. 644.21 lacs | US $ 54,302<br>Rs. 24.88 lacs | US $ (83,135)<br>Rs. (33.02) lacs | 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 | NIL | Not Applicable | 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<br>Number of Equity shares allotted<br>Face Value<br>Paid up Value<br>Extent of Share Holding | NIL | NIL | NIL | 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 | NIL | Not Applicable |
| ii) Subsidiary's Investments | NIL | NIL | NIL | Not Applicable |
| iii) Monies let by the Subsidiary | NIL | NIL | NIL | Not Applicable |
| iv) Monies borrowed by the Subsidiary, other than that of meeting current liabilities. (advance towards equity) | NIL | NIL | NIL | Not Applicable |

Note :

1. 100% Subsidiary of Certus Investment & Trading Limited

For and on behalf of the Board

| | | | |
|---|---|---|---|
| Place : Chennai | RM. MUTHUKARUPPAN | V. RAMANI | M.B. GANESH |
| Date : 15th May 2008 | Managing Director | Director & CFO | Secretary |

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

We have examined the attached consolidated balance sheet of Tamilnadu Petroproducts Limited and its subsidiaries (TPL Group) as at 31st March, 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year then 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 generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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.

We did not audit the financial statement of the subsidiaries and joint venture, whose financial statements reflect total assets of Rs.16551.37 lacs as at 31st March 2008 and total revenues of Rs.1539.64 lacs and cash flows amounting to Rs.1663.00 lacs (negative) for the year then ended and associate whose financial statements reflect the TPL group's share of reserves and surplus of Rs.12.90 lacs including profit of Rs. 36.16 lacs for the year ended 31st March 2008. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors. In respect of three subsidiaries and one associate company, we have relied on the unaudited financial statements as given by the management of the company.

We report that the consolidated financial statements have been prepared by the TPL Group's management in accordance with the requirements of Accounting standard AS 21 - Consolidated Financial Statements, AS 23 - Accounting for Investment in Associates in Consolidated Financial Statements and AS 27 - Financial reporting of interest in joint ventures notified by Central Government of India under The Companies (Accounting Standards) Rules, 2006.

*(i) As stated in Note 11, no provision has been considered necessary by the management in respect of the net assets included in these accounts reflecting the value of investment of Rs.2764.50 lacs and advance against equity of Rs. 33.91 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 and advance against equity.*

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 the 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 2008; and

(b) In the case of the consolidated profit and loss account, of the loss 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 Deloitte Haskins & Sells
Chartered Accountants

Place: Chennai
Date : 15th May 2008

B. Ramaratnam
Partner
Membership No. 21209

## Consolidated Balance Sheet of Tamilnadu Petroproducts Limited as at 31st March 2008

(Rupees in lacs)

| | SCHEDULE | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | | |
| **Shareholders' funds:** | | | | | |
| Share capital | 1 | **8,997.15** | | 8,997.15 | |
| Reserves and surplus | 2 | **26,698.18** | | 28,391.04 | |
| | | | **35,695.33** | | 37,388.19 |
| **Advance towards share capital** | | | **1,003.24** | | 1,003.24 |
| **Minority Interest** | | | **50.00** | | 50.00 |
| **Loan Funds:** | | | | | |
| Secured | 3 | **16,908.61** | | 19,626.47 | |
| Unsecured | 4 | **2,116.67** | | 1,821.76 | |
| | | | **19,025.28** | | 21,448.23 |
| **Deferred tax liability (net)** | | | **7,723.64** | | 8,386.45 |
| TOTAL | | | **63,497.49** | | 68,276.11 |
| **APPLICATION OF FUNDS** | | | | | |
| **Fixed Assets:** | 5 | | | | |
| Gross block | | **123,840.35** | | 120,179.98 | |
| Less: Depreciation | | **82,751.67** | | 80,874.77 | |
| Net block | | **41,088.68** | | 39,305.21 | |
| Capital work in progress including advances | | **4,655.09** | | 9,286.98 | |
| | | | **45,743.77** | | 48,592.19 |
| **Incidental expenditure during construction period pending allocation** | 6 | | **4,790.09** | | 4,767.44 |
| **Investments** | 7 | | **5,583.35** | | 5,547.19 |
| **Current Assets, Loans and Advances** | 8 | | | | |
| Inventories | | **5,541.67** | | 9,891.40 | |
| Sundry debtors | | **5,823.60** | | 6,443.21 | |
| Cash and bank balances | | **7,325.24** | | 9,005.21 | |
| Loans and advances | | **8,318.82** | | 5,887.47 | |
| | | **27,009.33** | | 31,227.29 | |
| **Less: Current Liabilities and Provisions** | 9 | | | | |
| Current liabilities | | **19,039.34** | | 21,363.59 | |
| Provisions | | **593.20** | | 497.90 | |
| | | **19,632.54** | | 21,861.49 | |
| **Net Current Assets** | | | **7,376.79** | | 9,365.80 |
| **Miscellaneous Expenditure** | | | **3.49** | | 3.49 |
| Preliminary expenses (to the extent not written off or adjusted) | | | | | |
| TOTAL | | | **63,497.49** | | 68,276.11 |

Notes to the accounts 13

As per our report of even date attached

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

## Consolidated Profit and Loss Account of Tamilnadu Petroproducts Limited for the year ended 31st March 2008

(Rupees in lacs)

| | SCHEDULE | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Sales and services | | **88,786.27** | | 94,696.88 | |
| Less : Excise duty | | **10,942.45** | | 11,679.44 | |
| Net Sales and services | | | **77,843.82** | | 83,017.44 |
| Other income | 10 | | **2,377.26** | | 824.19 |
| | | | **80,221.08** | | 83,841.63 |
| **EXPENDITURE** | | | | | |
| Manufacturing and other expenses | 11 | | **77,224.10** | | 79,943.31 |
| Interest (net) | 12 | | **2,038.20** | | 2,049.20 |
| Depreciation for the year | | **3,302.58** | | 4,119.76 | |
| Less: Credit for amount withdrawn from revaluation reserve | | **20.11** | | 808.08 | |
| | | | **3,282.47** | | 3,311.68 |
| | | | **82,544.77** | | 85,304.19 |
| **(LOSS) BEFORE TAXATION** | | | **(2,323.69)** | | (1,462.56) |
| Provision for tax | | | | | |
| - current | | **17.08** | | 8.34 | |
| - deferred | | **(662.81)** | | (437.32) | |
| - fringe benefits | | **15.00** | | 16.00 | |
| | | | **(630.73)** | | (412.98) |
| **(LOSS) AFTER TAXATION** | | | **(1,692.96)** | | (1,049.58) |
| Share of profits of Associate (Note 17) | | | **36.16** | | 362.31 |
| **Net (Loss)** | | | **(1,656.80)** | | (687.27) |
| Balance brought forward | | | **7,734.40** | | 8,961.64 |
| Transferred from translation adjustment on consolidation | | | **-** | | (539.97) |
| Balance carried to balance sheet | | | **6,077.60** | | 7,734.40 |
| Earnings per share | | | | | |
| Basic and diluted | | | **(1.84)** | | (0.76) |
| Notes to the accounts | 13 | | | | |

Per our report of even date attached to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

## Consolidated Cash Flow Statement for the year ended 31st March 2008

(Rupees in Lacs)

| | | | For the year ended 31st March, 2008 | | For the year ended 31st March, 2007 |
|---|---|---|---|---|---|
| **A** | **Cash Flow from Operating Activities:** | | | | |
| | **(Loss) before tax** | | **(2,323.69)** | | (1,462.56) |
| | Adjustment for : | | | | |
| | Depreciation | **3,282.47** | | 3,311.68 | |
| | (Profit) on sale / scrapping of fixed assets (net) | **(585.59)** | | (120.81) | |
| | Doubtful debts recovered | **-** | | (34.54) | |
| | Unrealised exchange loss (net) | **(79.08)** | | 6.47 | |
| | Interest expense | **2,476.90** | | 2,506.16 | |
| | Interest income | **(438.70)** | | (456.96) | |
| | | | **4,656.00** | | 5,212.00 |
| | Operating profit before working capital changes | | **2,332.31** | | 3,749.44 |
| | Adjustments for : | | | | |
| | (Increase)/Decrease in sundry debtors | **698.69** | | 933.15 | |
| | (Increase)/Decrease in inventories | **4,349.73** | | 1,006.34 | |
| | (Increase)/Decrease in loans and advances | **(2,311.78)** | | 1,377.99 | |
| | Increase/(Decrease) in current liabilities and provisions | **(2,232.74)** | | 724.73 | |
| | | | **503.90** | | 4,042.21 |
| | Cash generated from operations | | **2,836.21** | | 7,791.65 |
| | Direct taxes paid | | **(121.64)** | | (713.72) |
| | **Net Cash from Operating Activities** | | **2,714.57** | | 7,077.93 |
| **B** | **Cash Flow from Investing Activities:** | | | | |
| | Additions to fixed assets (including capital work in progress and advances) | **(1,002.76)** | | (2,306.80) | |
| | Incidental expenditure pending capitalisation | **(22.65)** | | - | |
| | Advances to be adjusted against equity of new projects | **-** | | - | |
| | Proceeds from sale of fixed assets | **1,134.22** | | 163.21 | |
| | Interest received | **433.90** | | 474.71 | |
| | | | **542.71** | | (1,668.88) |
| | **Net Cash from / (used) in Investing Activities** | | **542.71** | | (1,668.88) |

*Consolidated Cash Flow Statement for the year ended 31st March 2008 (continued)*

(Rupees in Lacs)

| | | For the year ended 31st March, 2008 | | For the year ended 31st March, 2007 |
|---|---|---|---|---|
| **C Cash Flow from Financing Activities:** | | | | |
| Proceeds from new borrowings | **1,615.30** | | 1,223.30 | |
| Repayment of borrowings | **(4,038.25)** | | (4,288.42) | |
| Dividends paid (including for previous years) | **(8.00)** | | (872.83) | |
| Dividend tax paid | **-** | | (126.19) | |
| Paid to Investor Education and Protection Fund | **(26.17)** | | (19.39) | |
| Interest paid | **(2,480.13)** | | (2,772.45) | |
| | | **(4,937.25)** | | (6,855.98) |
| **Net Cash (used) in Financing Activities** | | **(4,937.25)** | | (6,855.98) |
| ***Net Cash flows during the year (A+B+C)*** | | **(1,679.97)** | | (1,446.93) |
| **Cash and cash equivalents (Opening balance)** | **9,005.21** | | 10,454.13 | |
| Adjustment for unrealised exchange gain / (loss) | **-** | | (1.99) | |
| | | **9,005.21** | | 10,452.14 |
| **Cash and cash equivalents (Closing balance)** | | **7,325.24** | | 9,005.21 |
| **Net increase / (decrease) in cash and cash equivalents** | | **(1,679.97)** | | (1,446.93) |

As per our report attached
to the Balance Sheet

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

Place : Chennai
Date : 15th May 2008

For and on behalf of the Board

A.C. MUTHIAH Vice Chairman
S. SUSAI Director
C. RAMACHANDRAN Director
V. RAMANI Director & CFO
RM. MUTHUKARUPPAN Managing Director

M.B. GANESH
Secretary

**SHARE CAPITAL** **SCHEDULE - 1**

(Rupees in Lacs)

| | **As at 31st March, 2008** | As at 31st March, 2007 |
|---|---|---|
| **Authorised** | | |
| 200,000,000 equity shares of Rs.10 each | | |
| | **20,000.00** | 20,000.00 |
| **Issued** | | |
| 89,976,899 equity shares of Rs. 10 each (Note 3) | **8,997.69** | 8,997.69 |
| **Subscribed and fully paid up** | | |
| 89,971,474 equity shares of Rs. 10 each (Note 3) | **8,997.15** | 8,997.15 |

**RESERVES AND SURPLUS** **SCHEDULE - 2**

(Rupees in Lacs)

| | Balance as at 31st March, 2007 | 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 31st March, 2008** |
|---|---|---|---|---|---|
| Capital reserve | 42.23 | - | - | - | 42.23 |
| | (42.23) | (-) | (-) | (-) | (42.23) |
| Securities premium account | 4,611.57 | - | - | - | 4,611.57 |
| | (4,611.57) | (-) | (-) | (-) | (4,611.57) |
| Revaluation reserve account (Note 5) | 2,126.95 | - | - | 20.11 | 2,106.84 |
| | (2,935.03) | (-) | (-) | (808.08) | (2,126.95) |
| Foreign currency translation reserve | - | - | - | - | - |
| (on consolidation) | (-539.97) | (-) | (-) | (-539.97) | - |
| General reserve | 13,875.89 | - | - | 15.95* | 13,859.94 |
| | (13,875.89) | (-) | (-) | (-) | (13,875.89) |
| Profit and loss account | 7,734.40 | - | 6,077.60 | 7,734.40 | 6,077.60 |
| | (8,961.64) | (-) | (7,734.40) | (8,961.64) | (7,734.40) |
| | 28,391.04 | - | 6,077.60 | 7,770.46 | 26,698.18 |
| | (29,886.39) | - | (7,734.40) | (9,229.75) | (28,391.04) |

Figures in brackets relate to previous year.

* Refer Note 14

**SECURED LOANS** **SCHEDULE - 3**

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| Loans from financial institutions | | |
| Term loans [amounts due within one year Rs. 416.64 lacs (Previous year Rs. 416.64 lacs)] | **1,145.76** | 1,562.40 |
| Loans from banks | | |
| Term loans [amounts due within one year Rs. 2,083.33 lacs (Previous year Rs. 2,083.33 lacs)] | **6,856.83** | 8,940.24 |
| Others (Long term) | | |
| [Amounts due within one year Rs. 1,486.28 lacs (Previous year Rs. 1,616.46 lacs)] | **3,098.58** | 3,468.82 |
| Others (Short term) | **5,807.44** | 5,655.01 |
| | **16,908.61** | 19,626.47 |

Note:

1. Term Loan of Rs. 1,145.76 lacs (previous year Rs. 1,562.40 lacs) from a financial institution is secured by 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 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 & 3 (A).

2. Term loans from banks of Rs. 6,856.83 lacs (previous year Rs. 8,940.24 lacs) 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 3 (A) (b) & (c) and 3 (B) below) ranking pari passu with the loans stated in note 1 & 3 (A).

3. (A) Term loan (others) of Rs. 1,375.00 lacs (previous year Rs. 2,750.00 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 charge referred in note 3(B) ranking pari passu with the loans stated in note 1 & 2

   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 India Limited.

   (B) Term Loan of Rs. 1,723.58 lacs (previous year Rs. 718.82 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and rent receivables on the said property.

4. Other (short term) loans from banks of Rs. 5,807.44 lacs (previous year Rs. 5,655.01 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 of immovable properties, both present and future, on second charge basis ranking pari passu and except for exclusive charges stated in note 3 above.

**UNSECURED LOANS** **SCHEDULE - 4**

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| Interest free Sales Tax Loan | **2,116.67** | 1,821.76 |
| | **2,116.67** | 1,821.76 |

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

(Rupees in Lacs)

| Description | COST / VALUATION | | | | DEPRECIATION | | | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.2007 | Additions / Adjustments | Deductions / Adjustments | **As at 31.03.2008** | As at 31.03.2007 | For the year | Deductions / Adjustments | **As at 31.03.2008** | **As at 31.03.2008** | As at 31.03.2007 |
| Land | 2,763.28 | - | - | **2,763.28** | - | - | - | **-** | **2,763.28** | 2,763.28 |
| Buildings | 5,825.37 | - | 13.49 | **5,811.88** | 1,517.91 | 135.50 | 4.51 | **1,648.90** | **4,162.98** | 4,307.46 |
| Plant and machinery | 110,291.68 | 5,620.50 | 1,774.68 | **114,137.50** | 78,433.83 | 3,106.72 | 1,261.20 | **80,279.35** | **33,858.15** | 31,857.85 |
| Furnitures and fixtures | 165.36 | 5.20 | 7.55 | **163.01** | 128.06 | 5.83 | 2.33 | **131.56** | **31.45** | 37.30 |
| Office and other equipment | 894.11 | 0.18 | 0.24 | **894.05** | 596.29 | 43.98 | - | **640.27** | **253.78** | 297.82 |
| Vehicles | 142.82 | 9.52 | 83.07 | **69.27** | 136.13 | 4.97 | 90.87 | **50.23** | **19.04** | 6.69 |
| Ships - Barges | 96.00 | - | 96.00 | **-** | 61.19 | 6.30 | 67.49 | **-** | **-** | 34.81 |
| Group share in joint venture | 1.36 | - | - | **1.36** | 1.36 | - | - | **1.36** | **-** | - |
| | 120,179.98 | 5,635.40 | 1,975.03 | **123,840.35** | 80,874.77 | 3,303.30 | 1,426.40 | **82,751.67** | **41,088.68** | |
| Previous year | 120,264.67 | 645.20 | 729.89 | **120,179.98** | 77,441.50 | 4,120.76 | 687.49 | **80,874.77** | | 39,305.21 |
| Capital work in progress including advances ( Refer Note 12 ) | | | | | | | | | 4,655.09 | 9,286.98 |
| | | | | | | | | | 45,743.77 | 48,592.19 |

Depreciation for the year includes Rs. 0.72 lacs (previous year Rs. 1.00 lac) in respect of SPIC Electric Power Corporation (Private) Limited grouped under Schedule 6.

## INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD PENDING ALLOCATION

**SCHEDULE - 6**

(Rupees in Lacs)

| | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|
| Payment to and provision for employees | | | | |
| Salaries and allowances | **456.37** | | 444.44 | |
| Contribution to provident and other funds | **35.88** | | 35.83 | |
| Staff welfare | **52.16** | | 51.56 | |
| | | **544.41** | | 531.83 |
| Repairs and maintenance - others | | **36.91** | | 36.25 |
| Land lease rent | | **1,685.27** | | 1,685.27 |
| Rent, rates and taxes | | **131.40** | | 131.06 |
| Professional fees | | **1,617.21** | | 1,616.95 |
| Travel | | **265.91** | | 265.69 |
| Directors sitting fees | | **7.15** | | 6.50 |
| Miscellaneous expenditure | | **396.35** | | 389.13 |
| Depreciation | | **146.01** | | 145.29 |
| Loss on sale of assets | | **3.48** | | 3.48 |
| | | **4,834.10** | | 4,811.45 |
| Less : Interest on deposits | | **44.01** | | 44.01 |
| | | **4,790.09** | | 4,767.44 |

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

(Rupees in Lacs)

| | As at 31st March, 2008 | As at 31st March, 2007 |
|---|---|---|
| **Long Term Investments** | | |
| **Shares, debentures and bonds** | | |
| **Trade (at cost) (quoted)** | | |
| Henkel India Limited (formerly 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) | **-** | - |
| **Trade (at cost) (unquoted)** | | |
| **Associate Company (accounted on equity method)** | | |
| Petro Araldite Private Limited 13,68,000 equity shares of Rs. 100 each | **1,380.90** | 1,344.74 |
| | **5,583.35** | 5,547.19 |
| Aggregate value of unquoted investments | **1,380.90** | 1,344.74 |
| Aggregate value of quoted investments (net of provisions) | **4,202.45** | 4,202.45 |
| Market value of quoted investments | **3,733.71** | 4,082.84 |

TPL

## CURRENT ASSETS, LOANS AND ADVANCES

**SCHEDULE - 8**

(Rupees in Lacs)

| | | **As at 31st March, 2008** | | As at 31st March, 2007 |
|---|---|---|---|---|
| **A. CURRENT ASSETS:** | | | | |
| **Inventories** | | | | |
| Stores | **2,842.03** | | 2,680.50 | |
| Loose tools | **3.64** | | 3.97 | |
| Raw materials | **1,234.90** | | 3,448.13 | |
| Work in process | **88.57** | | 463.12 | |
| Finished goods | **1,372.53** | | 3,295.68 | |
| | | **5,541.67** | | 9,891.40 |
| **Sundry debtors (Unsecured)** | | | | |
| Outstanding over six months | | | | |
| Considered good | **0.17** | | 4.86 | |
| Considered doubtful | **67.54** | | 67.54 | |
| | **67.71** | | 72.40 | |
| Outstanding under six months | | | | |
| Considered good | **5,823.43** | | 6,438.35 | |
| | **5,891.14** | | 6,510.75 | |
| Less : Provision for doubtful debts | **67.54** | | 67.54 | |
| | | **5,823.60** | | 6,443.21 |
| **Cash and bank balances** | | | | |
| Cash on hand | **1.50** | | 1.48 | |
| Cheques on hand | **317.48** | | 186.28 | |
| With scheduled banks: | | | | |
| On current accounts | **465.64** | | 587.67 | |
| On deposit accounts | **0.90** | | 1.84 | |
| On margin money account | **131.49** | | 143.33 | |
| With non scheduled banks on current account | **6,406.11** | | 8,080.88 | |
| Group share in cash and bank balances of Joint Venture | **2.12** | | 3.73 | |
| | | **7,325.24** | | 9,005.21 |
| **B. LOANS AND ADVANCES:** | | | | |
| (Unsecured) | | | | |
| Advances recoverable in cash or in kind or for value to be received | | | | |
| Considered good | **6,030.63** | | 3,481.28 | |
| Considered doubtful | **125.23** | | 125.23 | |
| | **6,155.86** | | 3,606.51 | |
| Less : Provision for doubtful advances | **125.23** | | 125.23 | |
| | **6,030.63** | | 3,481.28 | |
| Balances with excise and customs authorities | **328.98** | | 410.06 | |
| Taxation (net of provisions) | **576.32** | | 461.50 | |
| Group share in loans and advances of joint venture | **1,382.89** | | 1,534.63 | |
| | | **8,318.82** | | 5,887.47 |
| | | **27,009.33** | | 31,227.29 |

## CURRENT LIABILITIES AND PROVISIONS

**SCHEDULE - 9**

(Rupees in Lacs)

| | | As at 31st March, 2008 | | As at 31st March, 2007 |
|---|---|---|---|---|
| **A. CURRENT LIABILITIES** | | | | |
| Acceptances | | **2,094.70** | | 2,279.98 |
| Sundry creditors | | | | |
| -Total outstanding dues to micro enterprises and small enterprises | **-** | | - | |
| - Others | **13,569.85** | | 15,733.61 | |
| | | **13,569.85** | | 15,733.61 |
| Unpaid dividends | | **128.22** | | 162.39 |
| Interest accrued but not due | | **1.65** | | 4.88 |
| Advances received from customers | | **2,019.20** | | 2,018.74 |
| Group share in current liabilities of joint venture | | **1,225.72** | | 1,163.99 |
| | | **19,039.34** | | 21,363.59 |
| **B. PROVISIONS** | | | | |
| Compensated absences | | **238.18** | | 164.47 |
| Gratuity | | **13.81** | | 17.48 |
| Taxation (net of payments) | | **341.21** | | 315.95 |
| | | **593.20** | | 497.90 |
| | | **19,632.54** | | 21,861.49 |

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2008

## OTHER INCOME

**SCHEDULE - 10**

(Rupees in Lacs)

| | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|---|---|
| Scrap Sales | **356.38** | 125.17 |
| Rent | **320.72** | 311.33 |
| Insurance claims | **831.06** | 13.47 |
| Profit on sale of assets (net) | **585.59** | 120.81 |
| Doubtful debts recovered | **-** | 34.54 |
| Miscellaneous income | **283.51** | 218.87 |
| | **2,377.26** | 824.19 |

## MANUFACTURING AND OTHER EXPENSES

**SCHEDULE - 11**

(Rupees in lacs)

| | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|
| Raw materials and Intermediates consumed | | **42,570.00** | | 44,240.97 |
| Purchase of traded goods | | **768.51** | | - |
| Stores and spare parts consumed | | **2,255.61** | | 2,549.30 |
| Utilities consumed | | **868.62** | | 844.40 |
| Power and fuel | | **16,682.30** | | 16,197.00 |
| Payments to and provisions for employees | | | | |
| Salaries and allowances | | **1,416.54** | | 1,539.00 |
| Contribution to Provident and other funds | | **159.63** | | 108.09 |
| Staff welfare | | **358.01** | | 374.11 |
| Travel and conveyance | | **194.52** | | 216.05 |
| Insurance | | **260.30** | | 375.73 |
| Rent | | **152.62** | | 171.66 |
| Rates and taxes | | **23.32** | | 398.17 |
| Repairs and maintenance | | | | |
| Machinery | **876.29** | | 755.85 | |
| Buildings | **91.53** | | 111.33 | |
| Others | **171.24** | | 183.00 | |
| | | **1,139.06** | | 1,050.18 |
| Discounts | | **3,765.83** | | 8,356.74 |
| Commission | | **279.57** | | 278.20 |
| Freight | | **2,191.95** | | 2,398.42 |
| Directors' sitting fees | | **10.70** | | 13.50 |
| Exchange fluctuation (net) | | **698.50** | | 193.24 |
| Legal and Professional charges | | **192.16** | | 123.71 |
| Miscellaneous expenses | | **818.61** | | 976.71 |
| Increase / (Decrease) in excise duty included in opening and closing stock of finished goods | | **119.33** | | 275.10 |
| (Increase) / Decrease in work in process and finished goods | | | | |
| Opening Stock | | | | |
| Work in process | **463.12** | | 1,565.94 | |
| Finished goods | **3295.68** | | 1,455.16 | |
| | **3758.80** | | 3,021.10 | |
| Closing Stock | | | | |
| Work in process | **88.57** | | 463.12 | |
| Finished goods | **1372.53** | | 3,295.68 | |
| | **1461.10** | | 3,758.80 | |
| | | **2,297.70** | | (737.70) |
| Group share in joint venture | | **0.71** | | 0.73 |
| | | **77,224.10** | | 79,943.31 |

## INTEREST

**SCHEDULE - 12**

(Rupees in Lacs)

| | | Year ended 31st March, 2008 | | Year ended 31st March, 2007 |
|---|---|---|---|---|
| Interest expenses | | | | |
| - on fixed period loans | **1,184.12** | | 1,444.98 | |
| - on others | **1,292.78** | | 1,331.32 | |
| | | **2,476.90** | | 2,776.30 |
| | | **2,476.90** | | 2,776.30 |
| Less : Interest income | | | | |
| - on bank and intercorporate deposits | **411.56** | | 448.00 | |
| - on others | **27.14** | | 8.96 | |
| | | **438.70** | | 456.96 |
| | | **2,038.20** | | 2,319.34 |
| Less : Interest capitalised | | **-** | | 270.14 |
| | | **2,038.20** | | 2,049.20 |

**SCHEDULE - 13**

**NOTES TO THE CONSOLIDATED ACCOUNTS OF TAMILNADU PETROPRODUCTS LIMITED FOR THE YEAR ENDED 31ST MARCH 2008**

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 the Joint Ventures", notified by Central Government of India under The Companies (Accounting Standards) Rules, 2006.

   The Companies considered in these consolidated financial statements are:

| Name of the Company | Relationship | Country of Incorporation | Proportion of ownership interest | Accounts drawn upto / whether audited |
|---|---|---|---|---|
| Certus Investment & Trading Limited | Subsidiary | Mauritius | 100% | 31.12.2007 Unaudited |
| Certus Investment and Trading (S) Private Limited | Subsidiary | Singapore | 100% | 31.12.2007 Unaudited |
| SPIC Electric Power Corporation (Private) Limited | Subsidiary | India | 98.22% | 31.03.2008 Unaudited |
| Leo Utility and Power Limited** | Subsidiary | India | 95.00% | |
| TPL India Singapore Private Limited | Subsidiary | Singapore | 100% | 31.12.2007 Audited |
| Gulf Petroproduct Company E.C.* | Joint Venture | Kingdom of Bahrain | 50.00% | 31.12.2007 Audited |
| Petro Araldite Private Limited | Associate | India | 24.00% | 31.03.2008 Unaudited |

** Based on the application submitted under Section 560 of the Companies Act, 1956 on 5th May 2006, the Registrar of the Companies struck off the company's name from the Registrar of Companies during the year.

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

## 2 ACCOUNTING POLICIES

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

### I BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets etc. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

### II 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 VAT) 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 pro-rata 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. The plant has been fully depreciated in the year ended 31st March 2007.

### III IMPAIRMENT OF 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.

### IV FOREIGN CURRENCY TRANSACTIONS

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

Foreign currency monetary assets and liabilities are translated at exchange rates prevailing on the Balance Sheet date or at forward cover rates and gain or loss arising on such translation are adjusted to the profit and loss account and forward cover premium is recognised over the life of the contract.

### V INVESTMENTS

Long term investments are valued at their acquisition cost, less provision for diminution in value, other than temporary.

### VI INVENTORIES

Inventories are valued at lower of cost and net realisable value. The methods of determination of cost of various categories of inventories are as follows:

a. Stores, loose tools and raw materials at moving weighted average rates.

b. Work-in-process and finished goods at full absorption costing method.

### VII REVENUE RECOGNITION

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

**VIII EMPLOYEE BENEFITS**

**Short term employee benefits**

Short term employee benefits are recognised as an expense at the undiscounted amounts in the Profit and Loss account of the year in which the related services are rendered.

**Defined Contribution Plans**

**Superannuation:**

This plan covers Wholetime directors of the Company and is administered by the Life Insurance Corporation of India. Contributions are made monthly at a predetermined rate to the Trust and debited to the Profit and Loss account on an accrual basis.

**Defined Benefits Plans**

**a) Provident Fund:**

Contributions are made monthly at a predetermined rate to the Provident Fund Trust managed by the company and debited to the Profit and Loss account on an accrual basis. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rates and recognize such shortfall as an expense.

**b) Long term compensated absences:**

Liability towards long term compensated absences is accrued based on an actuarial valuation at the balance sheet date based on the projected unit credit method and is not funded.

**c) Gratuity:**

The Company has an arrangement with the Life Insurance Corporation of India to administer its Gratuity fund. Premium paid / payable is determined based on an actuarial valuation carried out by LIC using the projected unit credit method as on the Balance Sheet date and debited to the Profit & Loss account on accrual basis. Actuarial gain or loss is recognised in the statement of profit or loss as income or expense.

**IX TAXES ON INCOME**

In accordance with the provisions of the Income Tax Act 1961, current tax is determined as the amount of tax payable 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.

Deferred tax assets in respect of unabsorbed depreciation and carried forward losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

**X CONTINGENT LIABILITIES**

**Provisions and contingencies**

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. Contingent assets are neither recognised nor disclosed in the financial statement.

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. Research and development expenses incurred on revenue account is Rs.7.36 lacs (Previous year Rs.9.63 lacs).

5. The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs. 20.11 lacs (previous year Rs.808.08 lacs) representing additional depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.

(Rs. in Lacs)

| | As at March 31, 2008 | As at March 31, 2007 |
|---|---|---|
| 6. Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances) | **Nil** | 29.83 |
| 7. **Contingent Liabilities** | | |
| a) Bills discounted with recourse | **434.91** | 513.14 |
| b) Other claims not acknowledged as debts | | |
| **i) Sales tax** | **1710.22** | 8,798.18 |
| The demands relate to disallowance of claims for exemption of turnover arising on account of stock transfers to branches and genuineness of declarations filed by certain customers for availing concessional rate of tax. | | |
| **ii) Excise duty** | **372.75** | 566.92 |
| **iii) Service Tax** | **67.85** | 67.85 |
| **iv) Income Tax** | **21.91** | 1,150.01 |
| The above amounts 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. | | |
| **v) Electricity Cess** | **1,060.71** | Nil |
| Vide a Government Order dated 23rd September 1996, the Tamilnadu Government exempted specified industries permanently from payment of electricity tax on consumption of self generated electrical energy under the Tamilnadu Electricity (Taxation on Consumption) Act, 1962. | | |
| The Tamilnadu Tax on Consumption or Sale of Electricity Act, 2003 repealed the 1962 Act, and withdrew the earlier exemption granted to specified industries. The Company's appeal against the withdrawal of exemption was dismissed by the Madras High Court. The Company filed a special leave petition before the Supreme Court against the verdict. On 15th May 2007 the Supreme Court upheld that the 2003 Act was not valid in respect of industries which were permanently exempted from payment of tax. | | |
| Consequent to the Supreme Court judgment upholding the exemption, the Company (in June 2007) reversed the provision for electricity tax amounting to Rs. 878.77 lacs made since 2003-04. | | |
| Subsequently, the Government of Tamilnadu passed the Tamilnadu Tax on Consumption or Sale of Electricity Amendment Act in November 2007 amending the 2003 Act to invalidate the exemption granted with retrospective effect. In December 2007, the Company filed a writ petition before the Madras High Court challenging the Amendment Act. On 13th February 2008, the High Court passed an interim order that in the event of non payment of tax on consumption for those covered under exemption, TNEB is at liberty to make the demand but not enforce it until further orders. | | |

(Rs. in Lacs)

| | Year ended March 31, 2008 | Year ended March 31, 2007 |
|---|---|---|
| 8. **Managerial Remuneration** | | |
| Wholetime Directors' remuneration | 62.24 | 44.49 |
| Contribution to provident and other funds | 6.59 | 5.07 |
| Directors' Sitting Fee | 10.70 | 13.50 |
| | 79.53 | 63.06 |
| 9. **Earnings per share** | | |
| Net (Loss) (Rs. in Lacs) | **(1,656.80)** | (687.27) |
| Weighted number of equity shares outstanding | **89,971,474** | 89,971,474 |
| Basic and diluted earnings per share ( Face value – Rs.10/- per share ) | **(1.84)** | (0.76) |

10. **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<br>2.Tamilnadu Industrial Development Corporation Limited |
| B) | Associate | Petro Araldite Private Limited |
| C) | Joint Venture | Gulf Petroproduct 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<br>Managing Director & Chief Operating Officer<br>2. Thiru. V. Ramani<br>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 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

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 | | | -<br>(2.50) | | |
| 2 | Sale of goods | 18.25<br>(35.75) | 8690.58<br>(8219.07) | | | |
| 3 | Service/Consultancy charges paid | 10.41<br>(8.92) | | | | |
| 4 | Commission paid | 32.31<br>(35.71) | | | | |
| 5 | Managerial remuneration | | | | 68.83<br>(49.56) | |
| 6 | Rent paid | 1.73<br>(1.81) | | | | |
| 7 | Reimbursement of expenses | 30.18<br>(23.37) | | | | |
| 8 | Sitting fees (TIDCO) | 3.30<br>(3.80) | | | | |
| 9 | Dividend paid | | | | -<br>(0.01) | -<br>(0.01) |
| | Southern Petrochemical Industries Corporation Limited (SPIC) | -<br>(152.34) | | | | |
| | Tamilnadu Industrial Development Corporation Limited (TIDCO) | -<br>(158.44) | | | | |
| 10 | Balance outstanding as of 31st March 2008 | 30.14 Cr<br>(16.53)Cr | 289.41Dr<br>(629.62)Dr | 158.37Dr<br>(158.37)Dr | 18.00 Cr<br>(14.38)Cr | -<br>(-) |

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

11. As at 31st March 2008, 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 and advances against equity of Rs.33.91 lacs made during the financial years 2006 to 2008. The Company signed a Memorandum of Understanding (MOU) with Tamilnadu Electricity Board (TNEB) in February 1995 for setting up 525 MW coal based power project at Tuticorin, Tamilnadu. SEPC has obtained all regulatory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement (PPA), TNEB had 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 allocation of Escrow. The Company is awaiting the outcome of the case.

    Due to non payment of land lease rentals, the Tuticorin Port Trust (TPT) sought to repossess the land allotted to SEPC for the power project. SEPC approached the High Court for appointment of an arbitrator and simultaneously filed a writ petition seeking an interim injunction restraining TPT from transferring the land by way of lease or otherwise to any other party. The High Court granted the injunction on 28th August 2007.

    The Company and SEPC have executed a MOU with an Investor company on 14th June 2007 for implementation of the power project. The Investor company has agreed to bring in 74% of the equity for the project. The terms of the Shareholders agreement between the Investor company and the Company is under negotiation and is expected to be executed soon. The Investor company has been meeting the day to day expenses of SEPC since August 2007 and has expended an amount of Rs.26.45 lacs up to 31.03.2008. The investor company has also agreed to pay the overdue land lease rentals.

    In view of these developments, no provision in the value of investment and advance against equity is considered necessary at this stage.

12. During the year 2004, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. The equipments and drawings pertaining to this project amounting to Rs.2,138.81 lacs, included in capital work in progress, is expected to be transferred at not less than cost to the proposed overseas project at Singapore during 2009-10.

13. **Details of Deferred tax asset / (liability) is as under** (Rs. in lacs )

| | As at March 31, 2007 | Tax effect for the year | **As at March 31, 2008** |
|---|---|---|---|
| Deferred tax asset : | | | |
| Unabsorbed depreciation / carry forward business loss | 32.00 | 1,085.37 | **1,117.37** |
| Accrued expenses deductible on payment | 354.00 | (284.88) | **69.12** |
| Provision for doubtful debts/Advances | 65.53 | - | **65.53** |
| Total | 451.53 | 800.49 | **1,252.02** |
| Deferred tax (liability): | | | |
| Fixed assets | (8,837.98) | (137.68) | **(8,975.66)** |
| Net deferred tax (liability) | (8,386.45) | 662.81 | **(7,723.64)** |

14. **Employee Defined Benefit Plans** (Rs. in Lacs)

| | | Gratuity (Funded) | Compensated Absences (Not funded) |
|---|---|---|---|
| a. | **Net Asset/(Liability) recognized in the Balance Sheet as at March 31, 2008** | | |
| | Present value of obligation | (368.09) | (238.18) |
| | Fair value of plan assets | 354.28 | - |
| | Net liability | **(13.81)** | **(238.18)** |
| b. | **Expense recognized in the Profit & Loss account for the year ended March 31, 2008** | | |
| | Current service cost | 21.45 | 10.58 |
| | Interest cost | 22.18 | 14.92 |
| | Expected return on plan assets | (24.74) | - |
| | Actuarial (gains) / Losses | 48.94 | 41.80 |
| | Total expense | **67.83** | **67.30** |
| c. | **Change in present value of Obligation during the year ended March 31, 2008** | | |
| | Present value of defined benefit obligation as at the beginning of the year | 321.31 | 197.46 |
| | Current service cost | 21.45 | 10.58 |
| | Interest cost | 22.18 | 14.92 |
| | Actuarial (gains) / losses | 54.35 | 41.80 |
| | Benefits paid | (51.20) | (26.58) |
| | Present value of defined benefit obligation as at the end of the year | **368.09** | **238.18** |
| d. | **Change in fair value of plan assets during the year ended March 31, 2008** | | |
| | Plan assets at the beginning of the year | 335.63 | - |
| | Expected return on plan assets | 24.74 | - |
| | Actuarial gains /(losses) | 5.41 | - |
| | Contributions by employer | 39.70 | - |
| | Benefits paid | (51.20) | - |
| | Plan assets at the end of the year | **354.28** | **-** |
| e. | **Principal actuarial assumptions as at March 31, 2008** | | |
| | Discount rate | 8% | 7.75% |
| | Expected return on plan assets | 8% | |
| | Mortality Table - LIC (94-96) Ultimate Mortality | | |
| f. | Basis used to determine expected rate of return | | |
| | The information on major categories of plan assets and expected return on each class of plan assets are not readily available. However LIC has confirmed that the average rate of return on plan assets is 8% | | |
| g. | Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions and other factors. | | |

As the company has adopted Accounting Standard -15, Employee Benefits (revised 2005) from the current year, previous year figures have not been disclosed.

In accordance with Accounting Standard – 15, provision for compensated absences of Rs. 15.95 lacs on initial adoption of the standard has been adjusted against the General Reserve.

TPL

15. Information disclosed in accordance with the Government of India, Department of Company Affairs, Order No. 46/204/2007-CL-III dated 9th May, 2008

(Rupees in Lacs)

| | Names of Subsidiaries | | |
|---|---|---|---|
| Particualrs | Certus Investment and Trading Limited (includes its subsidiaries, Certus Investment and Trading (S) Private Limited and TPL India Singapore Private Limited) | | SPIC Electric Power Corporation (Private) Limited |
| | Rupees in lacs* | in USD | |
| Capital | 8,190.06 | 20,419,000 | 2,814.50 |
| Reserves | 681.52 | 1,699,128 | - |
| Total assets | 9,829.02 | 24,505,160 | 5,282.98 |
| Total liabilities | 9,829.02 | 24,505,160 | 5,282.98 |
| Investments | 172.47 | 430,000 | - |
| Turnover (inc other income) | 1,550.37 | 3,865,289 | - |
| Profit before tax | 280.28 | 698,790 | - |
| Provision for taxation | 17.07 | 42,563 | - |
| Profit after tax | 263.21 | 656,227 | - |
| Proposed dividend | - | - | - |

* Translated at exchange rate prevailing as on 31.03.2008
1 USD = Rs. 40.11

16 Based on the principles for determination of segments given in Accounting Standard - 17 "Segment reporting", notified by Central Government of India under The Companies (Accounting Standards) Rules, 2006, the Company's primary business segments are 'Industrial Intermediates Chemicals and Power'. Industrial Intermediates Chemicals comprises of Linear Alkyl Benzene, Epichlorohydrin and Chlor Alkalies which mainly have similar risks and returns.

**CONSOLIDATED SEGMENT INFORMATION** (Rupees in lacs)

| (A) | Information about primary business segment | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|
| | | Industrial Intermediate Chemicals | Power | Total | Industrial Intermediate Chemicals | Power | Total |
| a) | REVENUE | | | | | | |
| | Sales to external customers | 77,843.82 | - | 77,843.82 | 83,017.44 | - | 83,017.44 |
| | Other income | 2,056.54 | - | 2,056.54 | 512.86 | - | 512.86 |
| | Total revenue | 79,900.36 | - | 79,900.36 | 83,530.30 | - | 83,530.30 |
| b) | RESULT | | | | | | |
| | Segment result | (606.21) | - | (606.21) | 275.31 | - | 275.31 |
| | Interest expense | - | - | (2,476.90) | - | - | (2,506.16) |
| | Interest income | - | - | 438.70 | - | - | 456.96 |
| | Unallocated corporate income | - | - | 320.72 | - | - | 311.33 |
| | Income taxes including deferred tax | - | - | 630.73 | - | - | 412.98 |
| | Profit after tax | - | - | (1,692.96) | - | - | (1,049.58) |
| | Share of profit of Associate company | - | - | 36.16 | - | - | 362.31 |
| | Net Profit | - | - | (1,656.80) | - | - | (687.27) |
| c) | OTHER INFORMATION | | | | | | |
| | Segment assets | 70,510.28 | 5,282.98 | 75,793.26 | 77,589.30 | 5,247.69 | 82,836.99 |
| | Unallocated corporate assets | - | - | 7,336.77 | - | - | 7,300.61 |
| | Total Assets | 70,510.28 | 5,282.98 | 83,130.03 | 77,589.30 | 5,247.69 | 90,137.60 |
| d) | Segment liabilities | 37,333.38 | 2,434.57 | 39,767.95 | 40,494.11 | 2,404.46 | 42,898.57 |
| | Unallocated corporate liabilities | - | - | 7,616.75 | - | - | 9,800.84 |
| | Total Liabilities | 37,333.38 | 2,434.57 | 47,384.70 | 40,494.11 | 2,404.46 | 52,699.41 |
| e) | Capital expenditure | 1,002.76 | - | 1,002.76 | 2,244.43 | - | 2,244.43 |
| | Depreciation | 3,282.47 | - | 3,282.47 | 3,311.68 | - | 3,311.68 |

| (B) | Information about secondary business segment | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|
| | | India | Outside India | Total | India | Outside India | Total |
| | Segment revenue | 75,294.71 | 4,605.65 | 79,900.36 | 77,295.73 | 6,234.57 | 83,530.30 |
| | Segment assets | 64,524.87 | 11,268.39 | 75,793.26 | 70,534.17 | 12,302.82 | 82,836.99 |
| | Additions to fixed assets | 1,002.76 | - | 1,002.76 | 2,244.43 | - | 2,244.43 |

17 Share of profits of Associates is net of adjustment for earlier year Rs. 126.20 Lacs (previous year Rs. NIL)

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

For and on behalf of the Board

| | | |
|---|---|---|
| A.C. MUTHIAH | Vice Chairman | M.B. GANESH |
| S. SUSAI | Director | Secretary |
| C. RAMACHANDRAN | Director | |
| V. RAMANI | Director & CFO | |
| RM. MUTHUKARUPPAN | Managing Director | |

Place : Chennai
Date : 15th May 2008