



Board of Directors

(As on 27th July 2006)

SHAKTIKANTA DAS, IAS	Chairman
Dr. A.C. MUTHIAH	Vice Chairman
S. RAMASUNDARAM, IAS	Director
T.S. SURENDRANATH	Director
S. SUSAI	Director
ASHWIN C. MUTHIAH	Director
BABU K. VERGHESE	Director
C. RAMACHANDRAN	Director
DHANANJAY N. MUNGALE	Director
N.R. KRISHNAN	Director
Dr. K.U. MADA	Director
N. RANGACHARY	Director
V. RAMANI (Whole-time Director)	Director & Chief Financial Officer
RM. MUTHUKARUPPAN (Whole-time Director)	Managing Director & Chief Operating Officer
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 : isd@tnpetro.com

CORPORATE OFFICE

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

AUDITORS

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

LEGAL ADVISOR

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

REGIONAL OFFICE

C/o. SPIC Limited,
II Floor, A-2/35, Safdarjung Enclave,
Chaudhry Jhandu Singh Marg,
New Delhi - 110 029.
Tel : 011-26178348 Fax : 011-26178018

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
State Bank of Patiala
UTI 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

Website : www.tnpetro.com

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OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	2001-02	2002-03	2003-04	2004-05	2005-06
Gross Profit	164.29	125.22	120.46	83.30	61.62
Interest	37.00	38.13	34.93	26.97	21.88
Profit before depreciation	127.29	87.09	85.53	56.33	39.74
Depreciation	47.46	49.98	47.25	49.82	38.68
Exceptional Item	(3.00)	(3.00)	(1.92)	0.38	0.40
Profit Before Tax	76.83	34.11	36.36	6.89	1.46
Provision for tax	26.68	11.08	14.15	(4.93)	(0.58)
Profit after tax	50.15	23.03	22.21	11.82	2.04
Networth	372.62*#	382.97*	380.91*@	375.74*\$	367.52*

* Net of Revaluation Reserve

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

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

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

NOTICE FOR THE TWENTY FIRST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty First Annual General Meeting of the Company will be held at 10.30 a.m. on Tuesday the 26th September 2006 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 2006 and Profit and Loss Account of the Company for the year ended 31st March 2006 and the Report of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Thiru C. Ramachandran, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in the place of Dr. K. U. Mada, who retires by rotation and being eligible offers himself for re-election.
5. To appoint a Director in the place of Thiru Babu K. Verghese, who retires by rotation and being eligible offers himself for re-election.
6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:
"RESOLVED THAT A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors be and are hereby re-appointed as Statutory Auditors of the Company to hold office until the conclusion of the Twenty Second Annual General Meeting on such remuneration as may be decided by the Board of Directors plus reimbursement of out of pocket expenses and levies such as service tax etc."

Special Business

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

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and other applicable provisions, if any and Schedule XIII of the Companies Act, 1956, the Company hereby approves the payment of enhanced remuneration to Thiru V. Ramani, Director & Chief Financial Officer for the period from 1st April 2005 to 3rd February 2007 on the following terms and conditions:

- (1) Salary : Rs.55,000 per month
- (2) Commission : One Percent commission on net profits of the Company or special allowance not exceeding the total annual salary.
- (3) Perquisites : Perquisites shall be allowed in addition to both salary and commission or special allowance. However, it shall be restricted to an amount equal to the annual salary.

Minimum Remuneration

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

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate both present and future [except the DG Sets & Auxiliary equipments in the Chlor Alkali Plant offered on exclusive charge basis to M/s.Rabo India Finance Pvt. Ltd. (RIFPL)], and the whole of the undertaking of the Company to or in favour of ;

- (a) Industrial Development Bank of India Limited (IDBI) for the working capital assistance of Rs.3000 lacs
- (b) UTI Bank Limited (UTI) for their enhanced working capital assistance of Rs.600 lacs and
- (c) The Federal Bank Ltd (FBL) for their enhanced working capital assistance of Rs.500 lacs.



to secure the financial facilities provided by the above banks together with interest thereon at the respective agreed rates, interest, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges and expenses and other monies payable by the Company to IDBI, UTI and FBL under the respective Heads of Agreement/Loan Agreement/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the above working capital facilities .”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, UTI and FBL, the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.”

By order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

27th July 2006
Chennai 600 068

M.B. GANESH
Secretary

Notes :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a Member of the Company.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Resolutions set out against Item Nos. 7 to 10 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th September 2006 to 26th September 2006 (both days inclusive).
4. Members are requested to notify immediately any change in their address to the Company/Share Transfer Agents if shares are held in physical mode and to the Depository Participants if shares are held in electronic mode.
5. Dividend on Equity Shares as recommended by the Board of Directors, if declared at the Meeting will be paid to those Shareholders whose names appear in the Register of Members on 26th September 2006.
6. Claims on unclaimed dividend, if any, for the financial years 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 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 1999-2000 is due for transfer during June 2007 to “Investor Education and Protection Fund” established by the Central Government under Section 205C of the Companies Act, 1956, after which no claims will be permitted by Central Government.
7. Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
8. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays, Sundays and holidays between 8.15 A.M. to 5.00 P.M. upto the date of the Annual General Meeting.
9. The Company's equity shares are listed at Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) & Madras Stock Exchange Limited (MSE) and the listing fees for the year 2006-07 have been paid in time.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to reply.

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

Item No.7

The Board of Directors at their meeting held on 27th July 2006 co-opted Thiru S. Ramasundaram, IAS, nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) as Director.

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

None of the Directors except Tvl. Shaktikanta Das, IAS, S. Ramasundaram, IAS, Dr. A.C. Muthiah, Ashwin C. Muthiah, Babu K. Verghese, Dr. K.U. Mada, N.R. Krishnan, S. Susai, T.S. Surendranath, V. Ramani and RM. Muthukaruppan are interested in the resolution.

Item No.8

The Board of Directors at their meeting held on 27th July 2006 co-opted Thiru T.S. Surendranath, nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO) as Director.

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

None of the Directors except Tvl. Shaktikanta Das, IAS, S. Ramasundaram, IAS, S. Susai and T.S. Surendranath are interested in the resolution.

Item No.9

The Board of Directors at their Meeting held on 14th September 2005 had approved payment of increased remuneration to Thiru V. Ramani, Director & Chief Financial Officer, with a basic pay of Rs.55,000/- per month, with effect from 1st April 2005 plus commission and perks as detailed in the resolution, subject to approval of shareholders.

In order to comply with the provisions of Schedule XIII - Part - II - Section II. 1(A)(vi) of the Companies Act, 1956, the Remuneration Committee at their meeting held on 28th April 2006 taking into account financial position of the Company, trend in the industry, qualification, experience,

past performance and past remuneration of Thiru. V. Ramani, Director & Chief Financial Officer, approved payment of same remuneration as approved by the Board on 14th September 2005 subject to approved of shareholders. Hence the proposed ordinary resolution seeking approval of shareholders.

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

Item No. 10

IDBI, UTI and FBL have sanctioned working capital facilities / enhanced working capital facilities of Rs.3000 lacs, 600 lacs and 500 lacs respectively to the Company. One of the conditions stipulated by them is to secure these facilities by way second charge on the immovable properties of the company both present and future ranking pari passu with the charges created and/or to be created in favour of the existing charge holders, subject however to Rabo India Finance Private Limited having an exclusive charge on DG Sets and Auxiliary equipments in the Chlor Alkali Plant. The Company has already executed the documents and is availing the facility.

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

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

None of the Directors is interested in the resolution.

By Order of the Board
for TAMILNADU PETROPRODUCTS LIMITED

27th July 2006
Chennai - 600 068

M B GANESH
Secretary



INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT ABOUT THE PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE APPOINTED / RE-APPOINTED AT 21ST AGM.

Item No. 3 of the Notice

Name: Thiru C. Ramachandran Age : 67 Years Qualification : I.A.S.

Expertise: Indian Administrative Service (Retd.)

No. of shares held : Nil

OTHER DIRECTORSHIPS :

S.No.	Name of the Company	Position held
1	Leo Utility and Power Limited	Director
2	Elnet Technologies Limited	Director
3	ETL Infrastructure Services Limited	Director
4	SPIC Petrochemicals Limited	Director
5	Elnet Software City Limited	Director

COMMITTEE MEMBERSHIPS :

S.No.	Name of the Company	Committee Type	Position held
1	Tamilnadu Petroproducts Limited	Audit Committee Share Transfer & Shareholders/Investors Grievance Committee	Chairman Member
2	Elnet Technologies Limited	Audit Committee Shareholder/Investor Grievance Committee	Member Member
3	ETL Infrastructure Services Limited	Audit Committee	Member

Item No. 4 of the Notice

Name : Dr. K. U. Mada Age : 72 Years

Qualification : B.A. (Hon) M.A. (Eco), Ph.D (Eco) & Cert. In Financial Management – Bombay University.

Expertise : Formerly Faculty Member - Bombay University, Member of Board of Governors, Management Development Institute, Executive Director, IDBI and acting Chairman & MD of IRBI and presently Chairman/Director in number of companies.

No. of shares held : 3500 Equity Shares

OTHER DIRECTORSHIPS:

S.No.	Name of the Company	Position held
1	Uttar Pradesh Industrial Consultants Ltd (UPICO)	Chairman / Director
2	Southern Petrochemical Industries Corpn Ltd (SPIC)	Director
3	Lupin Limited	Director
4	Hotel Leelaventure Ltd	Director
5	Asian Electronics Ltd	Director
6	PCI Limited	Director
7	National Securities Depository Limited	Member – Executive Committee
8	Industrial Reconstruction Bank of India (IRBI)	Chairman & Managing Director

COMMITTEE MEMBERSHIPS:

S.No.	Name of the Company	Committee Type	Position held
1.	Tamilnadu Petroproducts Ltd.	Audit Committee	Member
2.	Southern Petrochemical Industries Corpn. Ltd.	Audit Committee	Chairman
3.	Lupin Ltd	Audit Committee Investors' Grievance Committee	Chairman Member
4.	Hotel Leelaventure Ltd	Audit Committee Investors' Grievance Committee	Member Chairman
5.	PCI Ltd	Audit Committee	Member

Item No. 5 of the Notice

Name: Thiru Babu K. Verghese Age: 62 Years Qualification: B.Tech (Chemical)

Expertise: Since 1972 he has been associated with SPIC and other ventures promoted by SPIC in various capacities. He was the Dy.Managing Director of SPIC from 1st Oct'01 and was elevated as Managing Director of SPIC with effect from 1st April 02. Before joining SPIC as Dy. Managing Director, he was a Dy. Chairman and Managing Director of Indo Jordan Chemicals Co.Ltd., Jordan. He holds Directorship in two foreign companies viz., Indo Jordan Chemicals Co.Limited, Jordan and Industries Chimiques Du Senegal, Paris and other companies in India.

OTHER DIRECTORSHIPS :

S.No.	Name of the Company	Position held
1	Southern Petrochemical Industries Corpn. Ltd. (SPIC)	Managing Director
2	SPIC Holdings and Investments Limited	Director
3	Indo Jordan Chemicals Co. Limited	Director
4	Industries Chimiques Du Senegal, Paris	Director
5	Matsu Enterprises (P) Limited	Director
6	K'Chira International (P) Limited	Director

COMMITTEE MEMBERSHIPS:

S.No.	Name of the Company	Committee Type	Position held
1	Southern Petrochemical Industries Corpn. Ltd.	Audit Committee	Member

Item No. 7 of the Notice

Name : Thiru S. Ramasundaram, IAS Age: 52 Years Qualification : I.A.S.

Expertise : Indian Administrative Service

OTHER DIRECTORSHIPS:

S.No.	Name of the Company	Position held
1	Tamilnadu Industrial Development Corpn. Ltd.	Chairman & Managing Director
2	TIDEL Park Limited	Chairman
3	TICEL Bio Park Limited	Chairman
4	TANFAC Industries Ltd.	Chairman
5	Ennore SEZ Company Ltd.	Chairman



S.No.	Name of the Company	Position held
6	Tanflora Infrastructure Park Ltd.	Chairman
7	Titan Industries Ltd.	Director
8	Southern Petrochemical Industries Corpn. Ltd.	Director
9	Ascendas IT Park (Chennai) Limited	Director
10	Nagarjuna Oil Corporation Ltd.	Director
11	Mahindra World City Developers Limited	Director
12	Tamil Nadu Road Development Company Ltd.	Director
13	State Industries Promotion Corporation of Tamil Nadu Limited	Director
14	Golden Jubilee Biotechnology Park for Women Society	Member

COMMITTEE MEMBERSHIPS :

S.No.	Name of the Company	Committee Type	Position held
1	TICEL Bio Park Limited	Audit Committee	Chairman
2	Ascendas IT Park (Chennai) Limited	Audit Committee	Member
3	Tamil Nadu Road Development Company Ltd.	Audit Committee	Member
4	Titan Industries Ltd.	Remuneration Committee	Member

Item No. 8 of the Notice

Name : Thiru T.S. Surendranath Age : 54 Years Qualification : B.Com., A.C.A.

Expertise : Chartered Accountant – Deputy General Manager (Finance), TIDCO having experience of 27 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.

OTHER DIRECTORSHIPS :

S.No.	Name of the Company	Position held
1	Karur Yarn Links Ltd.	Chairman
2	Rama Qualitex Ltd.	Director
3	J.K. Pharmachem Ltd.	Director
4	Lactochem Ltd.	Director
5	Automotive Coaches and Components Ltd.	Director
6	TIDEL Park Ltd.	Director
7	Titan Industries Ltd.	Director

COMMITTEE MEMBERSHIPS :

S.No.	Name of the Company	Committee Type	Position held
1	J.K. Pharmachem Ltd.	Audit Committee	Member
		Share Transfer & Shareholders/ Investors Grievance Committee	Member
2	Automotive Coaches & Components Ltd.	Audit Committee	Member

DIRECTORS' REPORT

To

The Shareholders

Your Directors have pleasure in presenting their Twenty First Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

	(Rupees in Crores)	
	2005-06	2004-05
Profit before Depreciation and Interest	61.62	83.30
Interest	21.88	26.97
Profit after Interest	39.74	56.33
Depreciation	38.68	49.82
Profit before Tax and Exceptional Items	1.06	6.51
Exceptional Items	0.40	0.38
Profit before Tax	1.46	6.89
Provision for Tax	(0.58)	(4.93)
Profit after Tax	2.04	11.82
Balance carried to Balance Sheet	81.94	90.16

OPERATIONAL HIGHLIGHTS

During the year LAB plant was run at 87% capacity utilisation. The production rate was maintained at marginally lower levels to synchronise with the market demand and to liquidate the inventory.

The Epichlorohydrin (ECH) Plant and Chlor Alkali Plant achieved over 100% capacity utilisation at 111.35% and 105.5% respectively. The ECH plant reached an all-time high capacity utilisation since inception.

In LAB business, margins have been under heavy pressure with continued rise in crude prices successively for the past four years. Further, this has escalated due to crisis in Iran and disruption of supplies from Nigeria. Also, the prices of energy input viz., Fuel oil has almost reached peak levels resulting in all round increase in energy costs in all the three plants. In caustic industry which is energy intensive, the impact is more pronounced. These increases in costs of production could not be passed on to the customers because of surplus product availability in the market.

Therefore, the export of LAB has doubled compared to the previous year. TPL continues to enjoy the preferred supplier status with Procter & Gamble, Henkel and Unilever. The realisation in ECH and Caustic business was better considerably though the prices of long term supplies to high volume customers were comparatively less than that of the low volume customers. ECH sales were mainly concentrated in the domestic market selling a record quantity of 11431 MTs though a small quantity of 675 MTs was exported to continue to have business relationship with certain international customers. The imports from European and Far East countries, which was preferred to meet the additional demand for the product only for the price advantage, though quality was not comparable to that of TPL's product.

During the year the quantity of caustic soda sold was marginally higher than the last year. During the year, TPL continued to cater to demands of customers in and around Chennai so as to strengthen the customer base as the customers sometimes resort to "just-in-time" concept to minimise their inventory and logistics cost.

FINANCE

Your Company continued its pursuit of debt restructuring during the year and succeeded in renegotiating the interest rate of a term loan at lower levels by 2%. On the Working Capital Loans front, through sustained efforts the Company raised Rs.15 crores of fund based limits and utilized the same to repay the high cost working capital loans thereby achieving an interest reduction of about 0.80%. However the steady increase in lending rates by Banks, consequent to market conditions witnessed in the last quarter of the financial year under review, is bound to propel the borrowing cost to a higher level in the next fiscal. It is gratifying to note that interest costs are only 2.37% of the net sales.

EXPANSION / PROJECT ACTIVITIES

In the month of May 2005, the failed heater at the LAB unit was repaired and lined up. Some of the LAB expansion related activities were taken up and completed utilizing this opportunity of shutdown.

EXCEPTIONAL ITEM

Exceptional item for the year 2005-06 represents write back of provision (net) of Rs 1.27 crores for diminution in value of certain investments and loss on sale of investments (net) of Rs 0.87 crores.



DIVIDEND

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

SAFETY, HEALTH & ENVIRONMENT

Your Company has won the SHRESHTHA SURAKSHA PURASKAR award for the years 2001-2003 on all India basis competing with various industries for the improvement done in the safety and health fields. The LAB, ECH and Chlor Alkali plants have achieved 3536, 4015 & 3467 safe days of operation respectively as on 31st March 2006. The health of employees is being continuously monitored and environmental improvement measures were also taken.

RESEARCH & DEVELOPMENT

Research & Development activities are mainly focused on product research and utilizing the various by-product streams in an efficient manner and also R&D activities are aimed at cost reduction and minimization of generation of waste and utilize all by-products effectively.

SUBSIDIARIES

SPIC ELECTRIC POWER CORPORATION (PRIVATE) LTD. (SEPC)

The Memorandum of Understanding (MoU) entered into with a Spanish company setting out broad guidelines to develop the project and achieving financial closure was not successful. On expiry of the MoU during Feb'06 the company has ventured to identify alternate parties and discussions are on with prospective investors for implementation of the project.

LEO UTILITY AND POWER LTD. (LUPL)

The coal / bio mass based co-generation projects proposed to be set up by LUPL have been decided to be put up separately by the Companies which would benefit by such projects. Further, setting up of sea water desalination project has been deferred since an alternate method of treating secondary treated water from CMWSSB was found viable and economical. In view of this there will be no activity to be pursued by LUPL and thereafter action has been initiated to wind up the Company.

CERTUS INVESTMENT AND TRADING LTD. (CITL) AND ITS WHOLLY OWNED SUBSIDIARY

TPL's corporate business plan envisages a Global Market Share of 10% of the world LAB market by the year 2010. In this regard, 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 potential of the LAB business. M/s. Certus Investment and Trading Limited (CITL) and its Wholly Owned Subsidiary Company (WOS) in Singapore, serve as overseas investment arms of TPL for these overseas projects, besides being its procurement and marketing service provider for its current business outside India.

a) Middle East LAB Project:

This project proposes to construct an 80,000 TPA of LAB plant in the Yanbu Industrial City, Kingdom of Saudi Arabia. The Saudi Arabian General Investment Authority (SAGIA) has issued license for the project. Royal Commission of Jubail and Yanbu has allotted the required land in Yanbu Industrial City on the western coast of Saudi Arabia. The project is being planned to begin its commercial production by 2009.

Due to the recent announcement of Gas to Liquid (GTL) plant in Qatar, by oil Major M/s. Shell, the NP stream available from these GTL plants will be more economical when compared with the NP produced through conventional kerosene route. This GTL plant is expected to commence their commercial production during the year 2009. It is in the interest of TPL that the project in Middle East is implemented after a careful evaluation of GTL/Kerosene based Paraffin due to large scale GTL plants coming up in this region.

Gulf Petroproducts Company E.C., Bahrain, a subsidiary of CITL is negotiating with M/s Shell for long term supply of Normal Paraffin from their proposed GTL plant in Qatar.

b) Singapore NP/LAB Project:

CITL's plan to put up a 100,000 TPA of Normal Paraffin Project in the first phase and a 80,000 TPA of LAB project in the next phase is progressing after the entering into an MoU with Economic Development Board (EDB), Singapore, last year.

CITL have chosen Jurong Island as the most favored location for LAB/NP Plant due to proximity to a reliable and quality feedstock supply source viz Singapore Refining Company (SRC). SRC is a joint venture company with its major shareholders viz., Singapore Petroleum Company and Chevron Texaco. CITL has entered into an MoU with the shareholders of SRC for supply of Feedstock Kerosene required for the NP Project. The NP project is expected to commence its commercial operation by second half of 2008.

STATUS OF ACTIVE INVESTMENTS

HENKEL INDIA LIMITED (HIL)

HIL achieved a turnover of Rs.304.16 crores for the year ended 31st Dec'05 compared to Rs.198.39 crores in the previous year. HIL posted a net profit of Rs.7.23 crores as against net profit of Rs.3.02 crores in the previous year and achieved a cash profit of Rs.13.60 crores. During the current year Henkel SPIC India Limited was merged with Henkel India Limited (formerly known as the Calcutta Chemicals Co.Ltd.) effective from 1st July 2004. Hence, the results includes that of the Henkel SPIC India Limited from 1st July 2004 and as such the current year results are not comparable with that of the previous year.

The FMCG sector registered a buoyant growth in the first three quarters of 2005 though the last quarter witnessed a slow down possibly due to the already higher base Q4 2004. The sector was bullish overall during 2005 as seen from the large scale initiatives undertaken on all major brands with a host of re-launches and new variant launches from the main brands.

PETRO ARALDITE PVT. LTD. (PAPL)

During 2005-06 the plant produced 12,360 MTs of BLR, 9,167 MTs of Solid Resin and 2,350 MTs of Formulated products all totalling to 23,877 MTs. The overall capacity utilisation of the plant when compared to last financial year has improved from 52% to 64%. Sales for the financial year 2005-06 was Rs. 211.76 crores compared to Rs. 157.79 crores for the same period last year, which indicated an increase of 34% over the previous period. Sales have gone up due to increased product price in domestic market. The company focussed more on export front and its total export during the period Apr'05 – Mar'06 was 4,024 MTs compared to 3,586 MTs during 2004-05.

VOPAK SICAL TERMINAL LIMITED (VSTL)

VSTL could not progress in getting the business established and commence operations. On a request from Royal Vopak, the other promoter of VSTL, the Board of Directors of VSTL decided to terminate the Joint Venture and also wind up the company under the Simplified Exit Scheme announced by the Company Law Board.

A provision has already been made in the accounts of your Company to the extent of Rs.125.23 lacs, being the expenditure incurred for this project.

There are no significant developments in other investments.

FIXED DEPOSITS

The total amount of deposits outstanding as on 31st March 2006 was Rs.0.26 lakhs which represents unclaimed deposits only.

EMPLOYEES

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organisation. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness and minimizing the costs while the policies and practices would foster employee satisfaction, retention and productivity. The Industrial Relations during the year were harmonious.

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

DIRECTORS

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

The Board of Directors

- a) on 14th September 2005 recorded the withdrawal by TIDCO of the nomination of Thiru Ashok Kumar Gupta, IAS, as Director of the Company.
- b) on 27th October 2005 recorded the withdrawal by TIDCO of the nomination of Thiru Rameshram Mishra, IAS, as Director and Chairman. On the same day, Thiru D. Rajendran, IAS, nominee of TIDCO was co-opted as Director and appointed as Chairman in the place of Thiru Rameshram Mishra.
- c) on 28th April 2006 recorded the withdrawal by TIDCO of the nomination of Thiru M. Malik Feroze Khan, IAS, as Director of the Company.
- d) on 27th July 2006 recorded the withdrawal by TIDCO of the nomination of Thiru D. Rajendran, IAS, as Director and Chairman. On the same day, Thiru Shaktikanta Das, IAS, nominee of TIDCO was co-opted as Director and appointed as Chairman in the place of Thiru D. Rajendran.
- e) on 27th July 2006 Tvl. S. Ramasundaram, IAS and T.S. Surendranath nominees of TIDCO were co-opted as Directors of the Company.



The Board of Directors wish to place on record their appreciation of the valuable services rendered by Tvl. Rameshram Mishra, IAS, and D. Rajendran, IAS as Chairman, Ashok Kumar Gupta, IAS, and M. Malik Feroze Khan, IAS, as Directors during their tenure.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Tvl C. Ramachandran, Dr K. U. Mada and Babu K. Verghese will retire by rotation and being eligible offer themselves for re-election.

The term of Tvl. S.Ramasundaram, IAS and T.S. Surendranath shall end at this Annual General Meeting and notice in writing has been received proposing their candidature for appointment as Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in preparing the Annual Accounts for the year ended 31st March 2006 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 2006 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 to the conditions of revised Corporate Governance and a Management Discussion and Analysis Report effective 1st Jan'06 have been attached to form part of the Annual Report.

AUDITORS

M/s. A.F. Ferguson & Co., appointed as Statutory Auditors at the 20th Annual General Meeting held on 14th September 2005, retire at the conclusion of the Twenty First Annual General Meeting and are eligible for re-appointment.

With reference to the comment contained in the Auditors' Report pertaining to SPIC Electric Power Corporation (Private) Ltd., (SEPC), the Board of Directors were convinced that in view of the developments that took place during the year in the implementation of 525 MW power project, no provision was considered necessary at this stage for permanent diminution in the value of investments in SEPC, as explained in Note 21 of Notes to the Accounts.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

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

ACKNOWLEDGEMENT

The Management is grateful to the Government of India, the Government of Tamilnadu, shareholders, valued customers, the Reserve Bank of India, financial institutions, consortium of banks, other lending institution, insurance companies, promoters, technology suppliers, raw material suppliers, joint venture partners, statutory auditors, 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

27th July 2006
Chennai – 600 068

SHAKTIKANTA DAS
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE

Tamilnadu Petroproducts Limited (TPL) is in the manufacture and marketing of Petrochemicals and Chemical intermediates such as Linear Alkyl Benzene (LAB), Epichlorohydrin (ECH), Caustic Soda and Chlorine. These products cater to the needs of the industries as basic chemicals and also serve as intermediates for manufacture of several household materials. Chlorine, a co-product of caustic soda, finds variety of applications as a bleaching and chlorinating agent.

LINEAR ALKYL BENZENE (LAB)

LAB continues to be the major raw material for manufacture of synthetic detergents and other cleaning products. In India, LAB is primarily used for manufacture of synthetic detergent cakes and powders used in household sector after conversion to LAB Sulfonate (LAS). Significant development in cleaning product segment has taken place in rural areas with new products being launched by various detergent manufacturers.

The Indian domestic LAB market is no more oligopolistic. The industry is witnessing intense competition due to increase in LAB production capacity by 30% with the entry of a new player last year. Since domestic demand for LAB in India continues to grow only at around 5 to 6%, it may take 3 to 4 years to absorb the surplus capacities. Further, continued up-trend in global oil prices for the past four years has contributed to substantial increase in raw material and fuel prices. The company was unable to pass on these cost push increases to its customers due to stiff market conditions. Also, the excess capacity in India is also resulting in markets being retained by players offering higher discounts to customers. The above factors have contributed to significant reduction in TPL's margins. Production planning is strictly in relation to market requirements. The effect of high input prices is being countered to a certain extent by adopting strategic sourcing initiatives. The company is also exploring hedging as a tool to minimize the input cost increase. The overall costs other than raw materials and energy have been contained.

TPL continues to enjoy dominant position in the South India LAB market. TPL also continues to be the preferred supplier of LAB to international detergent manufacturers like Unilever, P&G and Henkel. The improving economy, high disposable income with urban and rural population is expected to improve the pace of LAB growth rate in future.

EPICHLOROHYDRIN (ECH)

TPL continues to be the sole producer of Epichlorohydrin (ECH) in India. ECH is used in the production of synthetic materials including Epoxy Resins, Wet-strength resins for the Paper industry, Water Treatment resins and Elastomers. World over, around 75% of ECH is used for manufacturing Epoxy Resins and the balance quantity goes into the manufacture of Glycide, Ethers and Esters apart from

limited use in Pharmaceutical industries. During the year, TPL posted highest Production record, surpassing the installed capacity level of 10,000 MTs.

TPL continued to be the major supplier of ECH to M/s. Petro Araldite Pvt. Ltd. (PAPL), its Joint Venture Company to nurture and increase the demand for ECH. Continued upward growth of Epoxy Resins production contributed to increased demand of ECH in domestic market and this is expected to continue with increased focus on Infrastructure projects. Due to this increase in domestic demand, the company's ECH supplies to domestic market were higher than export market. Even though, domestic competition has intensified with imports from European countries, the Company achieved a record production and sales level, the highest ever since inception.

The negative effect on margins due to uptrend in international prices of Propylene and Fuel Oil were absorbed to a certain extent by the upswing seen in global ECH prices. The growth in demand and the global supply position has enabled to propel the price of ECH to current higher levels. TPL is confident that the demand for the product could be sustained even at the current higher prices both domestically and internationally.

CHLOR ALKALI

Caustic Soda is one of the very few chemicals with a broad range of application. Some principal products and processes in which Caustic Soda is used are Agri-chemicals, Aluminium, Detergents and Dyestuffs industry. Since the performance of Indian Textile, Paper and Basic Metal industry has been good, the Caustic market also continued to be bullish during the year. During the year, the plant has achieved 105.5% of its installed capacity. Since achieving high capacity utilization is linked to effective Chlorine disposal, the increased demand for Chlorine by downstream units also encouraged higher production of Caustic soda. However continued uptrend in global fuel prices is a cause for concern due to its impact on cost of captive power generation and consequent erosion in the realization on Caustic Soda. Apart from Fuel Oil, the price of Salt remained at higher levels due to unseasonal heavy rains in salt producing areas. TPL continued its supplies to NALCO, a major consumer and also to other major consuming units in and around Chennai. It is expected that the current trend of prices for the product will continue, as the economy is healthy to catalyze higher consumption by customers.

THREATS AND OPPORTUNITIES

Linear Alkyl Benzene

The domestic market for LAB in India is bigger compared to the rest of the World. Due to changing life style and surplus money generation due to all round prosperity and growth in economy, the per capita consumption of detergents in the country is expected to move towards that



of other developing countries. With more and more new detergent products being launched, the market is also witnessing drastic changes in the consumption pattern and volumes. The healthy growth of domestic manufacturers of detergents and the absence of price war among detergent manufacturers may turn out to be a promising future for the domestic LAB industry.

The continued rise in Crude prices and rise in prices of Kerosene, Benzene and Fuel oil is affecting the margins in the business. Consequent to the nuclear crisis in the Iran and the disruption in supplies from Nigeria, the crude oil price is monitored closely and any further increase in the Crude and Kerosene price would affect the margins further. Addition of new LAB capacities in Middle East and China is a matter of concern. TPL continues to focus on market development activities in the Southern India and in the Northeastern markets to tap the potential opportunities. Also, no new capacities being added in Southern India is a welcome sign.

Epichlorohydrin

With Free Trade Agreements (FTA) with various countries like Thailand anticipated to come into force in India soon, it is expected that there will be no duty on ECH imports into India. Due to this FTAs, imports are expected to pose a concern in domestic market and could as well affect the company's realization in future. The expected growth in the infrastructure sector and automobile sector should however, provide an opportunity to catalyze the growth of ECH, as it finds wider applications. TPL looks forward to Government stipulating norms that could encourage usage of resins as an anti corrosive product by all infrastructure projects, which will provide greater opportunity for ECH business.

Caustic Soda

Demand for Caustic Soda & Chlorine is expected to be good in line with the positive growth foreseen for the Indian Textile, Paper and Basic Metal industries during the ensuing years.

However isolated imports by high volume consumers are likely to trigger price elasticity for Caustic Soda in the domestic market.

RISKS & CONCERNS

Linear Alkyl Benzene

All states except Tamilnadu have implemented Value Added Tax (VAT) and we hope that Tamilnadu will implement VAT before end of this year. Consequent to this, the whole distribution pattern of LAB may undergo a change.

The continued increase in crude prices have dismayed the hope of a likely fall in raw-material prices in the immediate future. Addition of new LAB capacities in Middle East and China is a matter of concern. The recent reduction in the customs duty is also adding to the pressure on margins. To counter the impact due to the above concerns, TPL continually undertakes various cost reduction measures in raw-material procurement as well as manufacturing.

Epichlorohydrin

The continued increase in LPG prices, the basic feedstock for propylene, has triggered increase in Propylene prices resulting in reduction in realization from ECH sales. The recent reduction in the customs duty is also adding to the pressure on margins. The anticipated imports of ECH in the light of FTA, is a high risk factor and a matter of concern that could affect future business prospects for ECH in India.

Caustic Soda

The impact on Production costs due to increase in Salt & Energy prices is a cause of concern to TPL. The decrease in realizations due to possible imports is a risk factor for sustaining the price realization. The recent capacity additions and planned additions are equally a high concern for TPL as it can lead to undercutting of prices until the growth / demand picks up for equivalent volumes.

OUTLOOK

India continues to be a favorable destination for investment by overseas institutions. The opening of FMCG sector to outside agencies will definitely bring about a life style change and growth in the consumption rate in the ensuing years. It only gives hope that increase in detergent consumption will lead to more LAB sales in domestic segment since as on date there is no environmental friendly substitute for LAB in the detergent formulation. The company will be completing its LAB capacity expansion to 120,000 MTs in the forthcoming financial year. The competition in domestic and international LAB market is likely to intensify further with the addition of new capacities in Middle East and the recent addition in domestic capacity. The intense competition is expected to last for next 3-4 years, until the market is able to fully absorb the new additions. The company also intends to achieve competitive advantage in raw material security and pricing with a firm up plan to set up a Normal Paraffin Plant in Singapore, which is a key raw material for LAB manufacture.

The ECH and Caustic Soda have variety of applications. With growth poised to increase in Infrastructure, Resin and basic metal industries such as Aluminium and Copper, the business outlook for ECH and Caustic soda is expected to improve further.

The hardening of the interest rates in the money market due to the credit policy has resulted in the Banks / Institutions hike their benchmark interest rates (Bank Prime Lending Rates) during the last quarter of the financial year 2005-06. Some of the lenders have started to pass on the increase to its borrowers. This is likely to increase the interest cost affecting the overall profitability.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has engaged the services of M/s. PricewaterhouseCooper Pvt. Ltd. to undertake an adequacy check on company's Internal control system. The Control gaps identified are being addressed to ensure an adequate internal control system. The Audit Committee is meeting periodically for reviewing the performance of the Company and formulating policies / issuing guidelines to the Management as well as to the Internal Audit Function.

As part of the Corporate Governance requirement, the Company engaged the Services of M/s. Ernst & Young to analyze and spell out the Risks That Matters (RTM) for the Company as a whole in respect of its business activities.

The study includes

- (a) Integrating the Organization thought process end to end
- (b) Identifying people who can make it happen and
- (c) Identifying Key processes to make it happen.

The Company is constantly reviewing the risk mitigation efforts and the emergence of any new risks to be resolved so as to maintain the three strategic business units on an even keel.

MATERIAL DEVELOPMENTS ON HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT

The number of employees as on 31st March 2006 was 608. Employee Turnover has been quite high with most of them seeking Overseas employment. Further with the salary expectations increasing with the emergence of IT Sector, retention of employees is becoming challenging. The Company has been recruiting manpower by inducting fresh engineers to ensure adequate manpower for the safe operation of plant. Suitable training and development programs have been chartered both for new and existing employees.

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.

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 2006.

CONSERVATION OF ENERGY

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

1. Increased utilization of excess hydrogen (from 300 to 600 Nm³/hr on an average) from Chlor Alkali Plant in the Process heater of LAB plant, thereby contributing to reduction in Furnance Oil consumption.
2. Trimming of Impellers in Tempered water pumps of Process Compressors.
3. Replacement of a high head / capacity Pump with a low head / capacity Pump in Recovery Column Overhead service in LAB Plant, consequent to process changes in the LAB plant.
4. Eliminating parallel running of two pump motors of 75 KW each (warranted due to Plant load), by replacing with a high capacity motor of 125 KW for Define Unit Feed Service in LAB plant.
5. Stopping of a 30 KW rating Compressor Motor in Hydrogen service in LAB plant's Define Unit by effecting process changes.
6. Installation of Variable Frequency Drive (VFD) in ECH Plant De-Hydro Chlorination Column feed pump motor, to save energy.

7. Installation of Condensate Recovery pump in Oil pre-heating system of ECH Boilers to recover the condensate.
8. The high frequency/voltage auto cut off system of TNEB supply in ECH Captive Power Plant has been fine tuned to isolate TNEB power supply during high frequencies to save power.
9. Energy savings achieved in ECH Plant by:
 - a) Replacing Filament lamps with Light Emitting Diode (LED) lamps in Control Panels
 - b) Replacing the 160W mercury vapor lamps in the plant area with 125W high pressure mercury vapor lamps.
10. Old copper flexibles changed in CAD Plant Rectifier to save power.
11. Appropriate replacement of Membranes and Anodes in Electrolyzers of CAD Plant.
12. Reduction of Raw Water consumption in ECH Plant by re-use of entire treated effluent of CAD Plant, thus also effecting Nil effluent discharge from CAD Plant.
13. Switching off of two auxiliary transformers in CAD Plant by interconnecting and sharing of pre-load in auxiliary transformers.
14. Automatic power factor correction scheme introduced in two motor control centers in CAD Plant.



FORM – A

Form for disclosure of particulars with respect to Conservation of Energy

A. Power and Fuel Oil Consumption

	Current Year (2005 - 2006)	Previous Year (2004 - 2005)
1. Electricity		
a. Purchased Power		
Units (in lakhs)	119.51	10.98
Variable cost (Rs. in lakhs)	418.70	49.82
Total cost (Rs. in lakhs)	1,017.49	582.56
Rate/Unit (Rs.)		
Units Charges (Rs./Unit)*	3.50	4.54
Demand Charges (Rs./KVA)	300.00	300.00
*Variable cost includes peak hour charges		
b. Own Generation		
Through Diesel generator		
Units** (in lakhs)	2,052.90	2,250.94
Units/Litre of Fuel	4.02	4.09
Rate/Unit (Rs.)	4.00	3.20
**Includes power exported to grid.		
2. Coal (specify quality where used)		
Quantity (Tonnes)	--	--
Total cost	--	--
Average Rate	--	--
3. Furnace Oil		
Quantity (KL)	67,965.03	69,066.08
Total Amount (Rs. in lakhs)	9,219.76	7,317.40
Average Rate (Rs./KL)	13,565.45	10,594.78
4. LSHS/ LSFO		
Quantity (KL)	33,725.62	35,407.69
Total amount (Rs. in lakhs)	4,424.18	3,667.17
Average Rate (Rs./KL)	13,118.16	10,356.99
5. Diesel		
Quantity (KL)	33.17	32.49
Total Amount (Rs. in lakhs)	8.92	7.96
Average Rate (Rs./KL)	26,882.15	24,495.16
6. Windfarm		
Units Generated (in lakhs)	172.56	186.62
Total Amount (Rs. in lakhs)	73.65	92.67
Rate / Unit (Rs.)	0.43	0.50

B. Consumption per unit (MT) of Production

Products with details (unit)	(Standard if any)	Current Year			Previous Year		
		LAB	ECH	CAD - Caustic	LAB	ECH	CAD - Caustic
Electricity (Kwhr/Mt)		626.57	1,317.43	2,635.56	608.78	1,429.31	2,640.61
Furnance Oil (Mt)		0.502	0.514	0.011	0.450	0.550	0.012
Coal (Specify quality)		-	-	-	-	-	-
Others (Specify)		-	-	-	-	-	-

FORM – B

Form for disclosure of particulars with respect to absorption

RESEARCH & DEVELOPMENT

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

1. Specific areas in which R & D carried out by the Company
 - a. Studies related to improvement in quality of LAB.
 - b. Studies related to improving the stability of by-products and alternate applications.
 - c. Compatibility studies on alternate packing material for LAB transportation.
 - d. Improvement studies on effluent treatment process.
 - e. Separation of pure chemicals from ECH process streams.
2. Benefits derived as a result of above R & D
 - a. Value addition to products to improve customer satisfaction.
 - b. Improved accuracy in quality parameters and compliance to statutory norms.
 - c. Value addition to by-products and cost reduction to customer.
 - d. Multimode packing resulting in Logistic cost reduction.
 - e. Improved environmental performance.
3. Future Plan of Action
 - a. Cost reduction in process by substitution or optimization of chemicals.
 - b. Environmental friendly process development studies.
 - c. Process improvement studies.
4. Expenditure on R & D (Rs. in lakhs)
 - a. Capital 20.75
 - b. Recurring 10.58
 - c. Total 31.33
 - d. Total R & D expenditure as a percentage of total turnover 0.03%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Improvements developed in in-house R&D were adapted.

FOREIGN EXCHANGE EARNINGS AND OUTGO

- a. Foreign Exchange outgo : Rs. 3594.56 lakhs
- b. Foreign Exchange earnings : Rs. 9504.55 lakhs



REPORT ON CORPORATE GOVERNANCE (2005-06)

1. Company's philosophy :

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

2. Board of Directors :

a. Promoter Non-Executive Directors :

	Name (Tvl.)	Category	No. of Board Meetings attended	Attendance at last AGM	No. of other Director -ships@	Committee Membership*	
						Chairman	Member
1	Shaktikanta Das, IAS (Appointed as Director & Chairman w.e.f. 27th July 2006)	Chairman	1	NA	10	-	-
2	Dr A.C. Muthiah	Vice-Chairman	5	Yes	9	-	-
3	Ashwin C Muthiah	Director	4	No	9	-	2
4	Babu K Verghese	Director	6	Yes	2	-	1
5	S. Ramasundaram, IAS (Appointed as Director w.e.f. 27th July 2006)	Director	-	NA	13	1	2
6	S. Susai	Director	6	Yes	7	-	4
7	T. S. Surendranath (Appointed as Director w.e.f. 27th July 2006)	Director	1	NA	7	-	3

b. Promoter Executive Directors :

8	RM. Muthukaruppan	Managing Director & Chief Operating Officer	6	Yes	1	-	2
9	V. Ramani	Director & Chief Financial Officer	6	Yes	-	-	-

c. Independent Non-Executive Directors :

10	C. Ramachandran	Director	6	Yes	5	1	4
11	Dhananjay N. Mungale	Director	4	No	8	4	3
12	N.R. Krishnan	Director	6	Yes	3	1	3
13	Dr. K.U. Mada	Director	5	Yes	6	3	4
14	N. Rangachary	Director	5	Yes	3	-	1

@ 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 Directorship	Committee Membership	
						Chairman	Member
1	Rameshram Mishra, IAS	Chairman 27/10/05	-	No	14	-	2
2	Ashok Kumar Gupta, IAS	Director 14/09/05	-	No	8	-	-
3	M. Malik Feroze Khan, IAS	Director 28/04/06	-	No	3	-	-
4	D. Rajendran, IAS	Chairman 27/07/06	3	NA	14	-	4

NA-Not applicable

- ❖ Number of Board Meetings held : 6
- ❖ Dates on which held : 26th July 2005, 14th September 2005, 27th October 2005, 27th January 2006, 28th April 2006 & 27th July 2006.

3. AUDIT COMMITTEE:

Brief Description and terms of reference:

1. Overseeing of the Company's financial reporting process and the disclosures of its Financial Information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services.
3. Reviewing with 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, Name of Members and Chairman of the Audit Committee

The Company has an Audit Committee of the Board comprising 5 Directors, including 4 Independent Directors. The Committee held 6 Meetings on 26th July 2005, 27th October 2005, 27th January 2006, 29th March 2006, 28th April 2006 & 27th July 2006.

Name of the Member (Tvl.)	Designation	Number of Meetings attended
C. Ramachandran	Chairman (Independent)	6
S. Susai	Member (representing TIDCO)	6
Dhananjay N Mungale	Member (Independent)	5
N.R. Krishnan	Member (Independent)	6
Dr K.U. Mada	Member (Independent)	5

Persons who ceased to be Members - Nil

4. (a) Details of Remuneration paid to Whole-time Directors during 2005-06.

(Rupees)

Name (Tvl.) and Term of Service	Salary	Commission	Perquisites	Retirement Benefits	Total
RM. Muthukaruppan 4.2.2004 – 3.2.2007	7,20,000	7,20,000	6,09,122	2,40,115	22,89,237
V. Ramani 4.2.2004 – 3.2.2007	6,60,000	6,60,000	6,05,131	2,13,229	21,38,360
Total	13,80,000	13,80,000	12,14,253	4,53,344	44,27,597

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 (2005-06)

Commission

On account of the absence of adequate profits computed in accordance with Sec. 198 of the Companies Act, 1956, no provision has been made in the accounts towards commission to the Non-Whole time Directors for the financial year 2005-06.

Sitting Fees paid to Non Whole-time Directors during 2005 - 06

Name (Tvl.)	Sitting Fees (Rs)	
	Board Meetings	Committee Meetings
Rameshram Mishra, IAS	10,000*	-
D. Rajendran, IAS	20,000*	-
Dr. A C Muthiah	60,000	-
Ashok Kumar Gupta, IAS	10,000*	-
Ashwin C Muthiah	50,000	1,20,000
Babu K Verghese	50,000	-
Dhananjay N Mungale	40,000	50,000
N R Krishnan	60,000	60,000
Dr K U Mada	50,000	50,000
M Malik Feroze Khan, IAS	-	10,000*
Pradeep Yadav, IAS	10,000*	50,000*
C Ramachandran	60,000	2,90,000
N Rangachary	50,000	-
S Susai	50,000*	2,20,000*
Total	5,20,000	8,50,000

* Paid to TIDCO as they are TIDCO Nominees.

5. Remuneration Committee : (Non-Mandatory)

The Remuneration Committee of Directors consisting of three Independent Directors viz., Tvl. C. Ramachandran as Chairman, Dhananjay N. Mungale and N. R. Krishnan as Members, was constituted on 28th April 2006 by the Board of Directors to decide the remuneration payable to Thiru V. Ramani, Director & Chief Financial Officer for the period from 1st April 2005 to the end of his tenure i.e. 3rd February 2007.

6. Shareholders Committee:

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

Composition & Name of Members and Chairman* :

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

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

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



During the year, 950 letters/complaints received from the shareholders were replied /resolved. As on 31st March 2006, 7 valid transfer deeds involving 700 Equity Shares were under process. All the proposals involving 700 Equity Shares were subsequently approved during April 2006.

General Body Meetings:

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

Year	Date	Time	Venue
2002-03 (AGM)	8.8.2003	10.00 AM	Tamil Isai Sangam, Raja Annamalai Hall, Esplanade (Near High Court), Chennai - 600 108.
2003-04 (AGM)	5.8.2004	10.30 AM	- do -
2004-05 (AGM)	14.9.2005	10.30 AM	- do -

No resolution has been put through postal ballot.

No special resolution or ordinary resolution on matters requiring postal ballot are placed for shareholders approval at the forthcoming 21st AGM to be held on 26th September 2006.

7. Disclosures:

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

NIL

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

NIL

Details of equity shares held by Non Executive Directors as on 31st March 2006.

Name of the Director (Tvl.)	No. of Equity Shares
Dr. A.C. Muthiah	1001
Babu K Verghese	601
RM. Muthukaruppan	200
V. Ramani	100
Dr. K. U. Mada	3500

8. Means of Communication:

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

9. General Shareholder Information

- Annual General Meeting - 21st Annual General Meeting will be held on 26th September 2006 at Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade, (Near High Court), Chennai - 600 108.

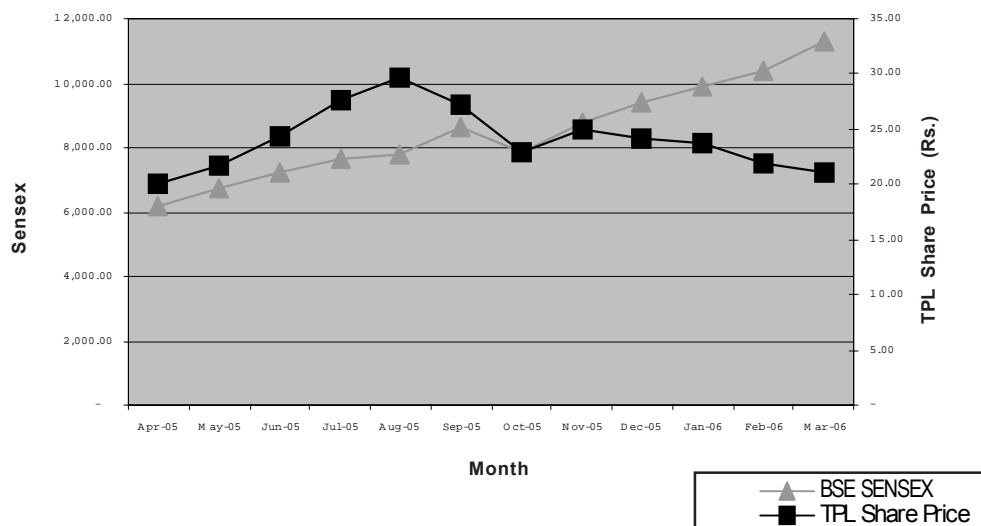
- Financial Calendar
 - Annual Results (Audited) - May / June
 - Unaudited First Quarter Results (subject to limited review by Auditors) - End July
 - Annual General Meeting - August / September
 - Unaudited Second Quarter Results (subject to limited review by Auditors) - End October
 - Unaudited third 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 6th September 2006 to 26th September 2006 (both days inclusive)
- Dividend Payment Date September / October
- Listing of Securities on Stock Exchanges : The Equity Shares of the Company are listed in:
 - Madras Stock Exchange Ltd.(MSE)
 - Bombay Stock Exchange Ltd. (BSE) &
 - National Stock Exchange of India Ltd.(NSE)
- **Stock Code** For Equity shares
 - MSE - TNPETPROD
 - NSE - TNPETRO
 - BSE - 500777

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

Month / Year - 2005-06	BSE		NSE	
	High (in Rs.)	Low (in Rs.)	High (in Rs.)	Low (in Rs.)
April 2005	24.00	19.10	22.00	19.70
May	23.40	19.25	23.50	19.50
June	27.85	21.50	27.75	21.60
July	32.90	23.75	32.80	24.20
August	31.50	26.55	31.50	26.55
September	33.00	26.50	33.00	26.50
October	28.90	22.10	29.00	22.45
November	27.30	23.15	26.00	22.70
December	26.25	23.70	26.90	22.10
January 2006	28.10	23.65	28.15	22.00
February	27.50	20.50	27.10	20.20
March	22.25	19.70	22.40	19.70



PERFORMANCE OF TPL SHARE PRICE IN COMPARISON TO BSE SENSEX



Registrar & Share Transfer Agents:

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

Share Transfer System:

The Board had constituted a Share Transfer and Shareholders/Investors Grievance Committee to approve, inter alia, transfer of shares etc. in physical form and also to ratify the confirmations made to the demat requests received by the Company. During the year (2005-06) 23 such Meetings were held. The entire process including despatch of share certificates to the shareholders were completed within the time stipulated as per the Listing Agreement.

(a) Distribution of Shareholding as of 31st March 2006:

Category (No. of shares)	No. of Shareholders	Percentage	No. of Shares	Percentage
Upto 500	96256	89.39	15896256	17.67
501 – 1000	6878	6.39	5627931	6.25
1001 – 2000	2524	2.34	3921170	4.36
2001 – 3000	712	0.66	1849686	2.05
3001 – 4000	293	0.27	1061176	1.18
4001 – 5000	302	0.28	1465449	1.63
5001 – 10000	374	0.35	2785018	3.10
10001 & above	342	0.32	57364788	63.76
TOTAL	107681	100.00	89971474	100.00

(b) Shareholding Pattern as of 31st March 2006 :

Category	No. of Equity Shares	% to Paid-up Capital
Promoters :-		
Tamilnadu Industrial Development Corpn. Ltd.	1,58,43,751	17.61
Southern Petrochemical Industries Corpn. Ltd.	1,52,34,375	16.93
Other Corporate Bodies	1,15,74,403	12.86
General Public	3,70,13,037	41.14
Non Resident Individuals	34,10,231	3.79
Foreign Institutional Investors & OCBs	19,11,325	2.12
Indian Financial Institutions	47,38,929	5.27
Mutual Funds & Banks	23,925	0.03
Shares in Transit [clearing Member account]	2,21,498	0.25
TOTAL	8,99,71,474	100.00

Dematerialization of Shares : Over 70.78% of the 89971474 outstanding shares have been dematerialized upto 31st March 2006.

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

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

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

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

(B) Corporate Office :
"TPL House"
No.3, III Floor, Cenotaph Road
Teynampet, Chennai - 600 018.
Tel No : 044-24311035
Fax No : 044-24311033
Website : www.tnpetro.com

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.

Note : This Report is made upto the date of Directors' Report unless and otherwise specifically indicated.



CERTIFICATE ON COMPLIANCE TO CODE OF CONDUCT

To

The Members of Tamilnadu Petroproducts Limited,
Manali Express Highway,
Manali, Chennai - 600 068.

Pursuant to clause 49 (I) D (ii) of the Listing Agreement with the Stock Exchanges, we 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 1st January 2006 (the date from which the Code became effective) to 31st March 2006.

RM. MUTHUKARUPPAN
Managing Director & COO

V. RAMANI
Director & CFO

Place : Chennai
Date : 28th April 2006

CERTIFICATE

To

The Members of Tamilnadu Petroproducts Limited

We have examined the compliance of conditions of Corporate Governance by Tamilnadu Petroproducts Limited, for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, based on the confirmation given by the registrars and transfer agent of the company as on 31st March 2006, there were no investor grievances remaining unattended for more than thirty days.

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

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner
Membership No. 33590

Place : Bangalore
Date : 27th July 2006

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, 2006 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

v) on the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi) *as stated in Note 21 the company, has during the period 1995 to 2003, invested Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited for which no provision for permanent diminution in value has been considered necessary by the management. In view of the considerable delay in the implementation of the project, we are unable to express an opinion on the provision, if any, required in respect of the said investment.*

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, 2006;
- b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co
Chartered Accountants

H.L. Shah
Partner

Membership No. 33590

Place : Chennai
Date : 28th April, 2006



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, 2006.

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

ix.a) In our opinion and according to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and cess and other statutory dues, if any, with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2006 for a period of more than six months from the date they became payable.

b) As on 31st March 2006, according to the records of the Company, the following are the particulars of disputed dues on account of sales 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
Sales tax law	Sales tax	2,746.68	1993-94 to 2002-2003	Sales Tax Appellate Tribunal
Sales tax law	Sales tax	5,983.71	1994-95 to 1995-96	Deputy Commissioner (Appeals)
Excise law	Excise Duty	192.04	March 1994	High Court
Excise law	Excise Duty	386.93	1994 - 2003	Customs Excise and Service Tax Appellate Tribunal
Excise law	Excise Duty	42.62	1999 - 2003	Commissioner Appeals
Excise law	Excise Duty	11.70	1994 - 99	Deputy Commissioner
Service tax law	Service Tax	6.21	1997 - 1999	Customs Excise and Service Tax Appellate Tribunal
Income tax law	Income Tax	660.17	Assessment Years 1997-98 to 2000-01 and 2002-03	Tribunal
Income tax law	Income Tax	949.89	Assessment Years 1999-00 to 2001-02 and 2002 - 03	Commissioner of Income Tax (Appeals)



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

For A.F. Ferguson & Co
Chartered Accountants

H.L. Shah
Partner
Membership No. 33590

Place : Chennai
Date : 28th April, 2006

BALANCE SHEET

As at 31st March, 2006

(Rupees in Lacs)

		As at 31st March, 2006	As at 31st March, 2005
SCHEDULE			
SOURCES OF FUNDS			
Shareholders' Funds:			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	30,689.38	33,340.77
		39,686.53	42,337.92
Loan Funds:			
Secured	3	22,901.75	27,546.62
Unsecured	4	1,611.60	1,886.01
		24,513.35	29,432.63
Deferred tax liabilities (net)		8,823.77	9,543.09
TOTAL		73,023.65	81,313.64
APPLICATION OF FUNDS			
Fixed Assets:			
Gross block	5	120,185.01	119,963.23
Less: Depreciation		77,380.79	71,706.84
		42,804.22	48,256.39
Capital work in progress		7,334.24	6,457.73
		50,138.46	54,714.12
INVESTMENTS	6	17,980.08	18,127.11
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		10,897.74	10,351.53
Sundry debtors		7,297.67	5,396.90
Cash and bank balances		1,492.49	1,299.53
Loans and advances		5,039.37	5,330.50
		24,727.27	22,378.46
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8	18,280.80	12,645.96
Provisions		1,541.36	1,260.09
		19,822.16	13,906.05
Net current assets		4,905.11	8,472.41
TOTAL		73,023.65	81,313.64
Notes to the accounts	12		

As per our report of even date attached

For and on behalf of the Board

For A.F. Ferguson & Co.
Chartered AccountantsD. RAJENDRAN
ASHWIN C. MUTHIAH
C. RAMACHANDRAN
RM. MUTHUKARUPPAN
V. RAMANIChairman
Director
Director
Managing Director & COO
Director & CFOM.B. GANESH
SecretaryH.L.Shah
PartnerPlace : Chennai
Date : 28th April 2006



PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 2006

(Rupees in Lacs)

	SCHEDULE	Year ended 31st March, 2006	Year ended 31st March, 2005
INCOME			
Sales and services		92,316.17	82,986.23
Less : Excise Duty		11,257.97	9,714.15
Net Sales and services		81,058.20	73,272.08
Other income	9	776.34	675.97
		<u>81,834.54</u>	<u>73,948.05</u>
EXPENDITURE			
Manufacturing and other expenses	10	75,672.71	65,617.52
Interest (Net)	11	2,188.43	2,697.44
Depreciation for the year		5,697.40	6,811.29
Less:credit for amount withdrawn from revaluation reserve		1,829.25	1,829.25
		<u>3,868.15</u>	<u>4,982.04</u>
		<u>81,729.29</u>	<u>73,297.00</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		105.25	651.05
Exceptional items (see Note 23)		40.19	38.13
PROFIT BEFORE TAXATION		145.44	689.18
Provision for tax			
- current		621.00	54.00
- earlier years		-	(41.55)
- deferred		(719.32)	(505.64)
- fringe benefits		40.00	-
		<u>(58.32)</u>	<u>(493.19)</u>
PROFIT AFTER TAXATION		203.76	1,182.37
Balance brought forward		9,016.36	4,859.89
AMOUNT AVAILABLE FOR APPROPRIATION		9,220.12	6,042.26
APPROPRIATIONS			
Transferred from Debenture Redemption reserve		-	(4,000.00)
Proposed dividends		899.71	899.71
Tax on dividends		126.19	126.19
Balance carried to balance sheet		8,194.22	9,016.36
		<u>9,220.12</u>	<u>6,042.26</u>
Earnings per share : (after exceptional items)			
Basic and diluted		0.23	1.31
Notes to the accounts		12	

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F. Ferguson & Co.
Chartered Accountants

D. RAJENDRAN
ASHWIN C. MUTHIAH
C. RAMACHANDRAN
RM. MUTHUKARUPPAN
V. RAMANI

Chairman
Director
Director
Managing Director & COO
Director & CFO

M.B. GANESH
Secretary

H.L.Shah
Partner

Place : Chennai
Date : 28th April 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

(Rupees in Lacs)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
A. Cash Flow from Operating Activities:		
Profit/(Loss) before tax	145.44	689.18
Adjustment for		
Depreciation	3,868.15	4,982.04
(Profit) / Loss on sale / scrapping of fixed assets (net)	0.32	(0.29)
Loss on sale of investments (net)	87.04	529.90
Provision for diminution in value of investments (net)	(127.23)	(568.03)
Provision for doubtful debts / advances (net)	109.53	35.48
Bad debts written off	-	118.96
Unrealised exchange loss (net)	(37.79)	(62.93)
Interest expense	2,285.93	2,815.36
Interest income	(97.50)	(117.92)
Income from investments	-	(40.98)
	6,088.45	7,691.59
Operating profit before working capital changes	6,233.89	8,380.77
Adjustments for :		
(Increase)/Decrease in sundry debtors	(1,923.04)	(255.75)
(Increase)/Decrease in inventories	(546.21)	(2,367.98)
(Increase)/Decrease in loans and advances	(365.37)	455.99
Increase/(Decrease) in current liabilities and provisions	5,683.20	3,833.18
	2,848.58	1,665.44
Cash generated from operations	9,082.47	10,046.21
Direct taxes paid	(429.82)	(419.92)
Net Cash from Operating Activities	8,652.65	9,626.29
B Cash Flow from Investing Activities:		
Additions to fixed assets (including capital work in progress and advances)	(883.36)	(3,852.05)
Advances to be adjusted against equity of new projects	(24.12)	(921.72)
Proceeds from sale of fixed assets	9.32	0.60
Proceeds from sale of investments	195.95	826.11
Income from investments	-	40.98
Interest received	101.48	126.05
Proceeds from Loans / Deposits with companies	631.25	135.04
	30.52	(3,644.99)
Net cash from / (used) in investing activities	30.52	(3,644.99)



Cash Flow Statement for the year ended 31st March 2006 (continued)

(Rupees in Lacs)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
C. Cash Flow from Financing Activities:		
Proceeds from new borrowings (net)	3,525.60	21,770.17
Repayment of borrowings	(8,444.88)	(24,755.78)
Dividend paid	(908.51)	(1,128.23)
Dividend tax paid	(126.19)	(144.09)
Interest paid	(2,532.92)	(3,152.89)
Prepayment premium paid	-	(673.53)
	(8,486.90)	(8,084.35)
Net cash (used) in financing activities	(8,486.90)	(8,084.35)
Net cash flows during the year (A+B+C)	196.27	(2,103.05)
Cash and cash equivalents (Opening balance)	1,299.53	3,387.29
Adjustment for unrealised exchange gain / (loss)	(5.30)	9.99
	1,294.23	3,397.28
Cash and cash equivalents (Closing balance)	1,492.49	1,299.53
Adjustment for unrealised exchange gain / (loss)	(1.99)	(5.30)
	1,490.50	1,294.23
Net increase / (decrease) in cash and cash equivalents	196.27	(2,103.05)

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F. Ferguson & Co.
Chartered Accountants

RM. MUTHUKARUPPAN
Managing Director &
Chief Operating Officer

V. RAMANI
Director &
Chief Financial Officer

M.B. GANESH
Secretary

H.L.Shah
Partner

Place : Chennai
Date : 28th April 2006

SCHEDULES
SHARE CAPITAL

SCHEDULE - 1
(Rupees in Lacs)

	As at 31st March, 2006	As at 31st March, 2005
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, 2005	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, 2006
Capital reserve	42.23 (42.23)	- (-)	- (-)	42.23 (42.23)
Securities premium account	4,611.57 (5,285.10)	- (-)	- (673.53)	4,611.57 (4,611.57)
Debenture redemption reserve account	- (4,000.00)	- (-)	- (4,000.00)	- (-)
Revaluation reserve account (Note 4)	4,764.28 (6,593.53)	- (-)	1,829.25 (1,829.25)	2,935.03 (4,764.28)
General reserve	14,906.33 (14,906.33)	- (-)	- (-)	14,906.33 (14,906.33)
Profit and loss account	9,016.36 (4,859.89)	8,194.22 (9,016.36)	9,016.36 (4,859.89)	8,194.22 (9,016.36)
	33,340.77 (35,687.08)	8,194.22 (9,016.36)	10,845.61 (11,362.67)	30,689.38 (33,340.77)

Figures in brackets relate to previous year.



SECURED LOANS

SCHEDULE - 3

(Rupees in Lacs)

	As at 31st March, 2006	As at 31st March, 2005
Loans from financial institutions		
Term loans [Amounts due within one year Rs. 1,666.64 lacs (Previous year Rs. 1,041.67 lacs)]	8,854.04	10,000.00
Loans from banks		
Term loans [Amounts due within one year Rs. 1,041.64 lacs (Previous year Rs 979.17 lacs)]	4,148.25	5,160.88
Others (Long term)		
[Amounts due within one year Rs. 1,544.20 Lacs (Previous year Rs. 1,375.00 lacs)]	4,507.60	5,500.00
Others (Short term)	5,391.86	6,885.74
	<u>22,901.75</u>	<u>27,546.62</u>

Note:

1. Loans of Rs. 8,854.04 lacs (previous year Rs. 10,000.00 lacs) from financial institutions are secured by a first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 (b) and 3 (a) below.
2. Loans from banks comprises of :
 - a. Term loan of Rs. Nil (Previous year Rs. 250.00 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds.
 - b. Term loan of Rs. 4,148.25 lacs (previous year Rs. 4,910.88 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. 4,125.00 lacs (previous year Rs. 5,500.00 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 ranking pari passu with the loans stated in note 1 & 2(b).
 - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at the Chlor Alkali Division of the company and
 - c. Pledge of all the equity shares held by the Company in Henkel India Limited (formerly Henkel SPIC India Limited).

(B) Term Loan of Rs. 382.60 lacs (previous year Rs. Nil) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and ownership of each of the receivables on the specified property.
4. Other (short term) loans from banks of Rs. 5,391.86 lacs (previous year Rs. 6,885.74 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, 2006	As at 31st March, 2005
Loan from banks	249.99	1,000.00
Interest Free Sales Tax Loan	1,361.61	886.01
	<u>1,611.60</u>	<u>1,886.01</u>

FIXED ASSETS**SCHEDULE - 5**
(Rupees in Lacs)

Description	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.3.2005	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2006	As at 31.3.2005	For the year	Deductions/ Adjustments	As at 31.3.2006	As at 31.3.2006	As at 31.3.2005
Land	2,748.28	-	-	2,748.28	-	-	-	-	2,748.28	2,748.28
Buildings	5,825.37	-	-	5,825.37	1,246.75	135.58	-	1,382.33	4,443.04	4,578.62
Plant and machinery	110,057.63	221.65	3.84	110,275.44	69,665.97	5,453.02	1.96	75,117.03	35,158.41	40,391.66
Furnitures and fixtures	145.40	4.67	10.01	140.06	96.78	6.91	5.00	98.69	41.37	48.62
Office and other equipment	823.45	23.40	3.12	843.73	461.42	53.14	1.18	513.38	330.35	362.03
Vehicles	267.10	5.15	16.12	256.13	172.66	42.13	15.31	199.48	56.65	94.44
Ships - Barges	96.00	-	-	96.00	63.26	6.62	-	69.88	26.12	32.74
	119,963.23	254.87	33.09	120,185.01	71,706.84	5,697.40	23.45	77,380.79	42,804.22	
Previous year	117,377.48	2,590.21	4.46	119,963.23	64,899.70	6,811.29	4.15	71,706.84		48,256.39
Capital work in progress (Refer Note 22)									7,334.24	6,457.73
									50,138.46	54,714.12



INVESTMENTS

SCHEDULE - 6 (Rupees in Lacs)

	As at 31st March, 2006	As at 31st March, 2005
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)	-	-
Tamilnadu Newsprint and Papers Limited Nil (Previous year 2,57,260) equity shares of Rs 10 each	-	282.99
Less : Provision for diminution in value	-	131.98
	-	151.01
Trade (at cost) (unquoted)		
Subsidiary company:		
Certus Investment & Trading Limited, Mauritius 2,04,190 (Previous year 2,04,000) equity shares of US dollar 100 each (190 equity shares allotted during the year)	9,645.13	9,636.40
SPIC Electric Power Corporation Private Limited 2,76,44,955 equity shares of Rs.10/- each (Refer Note 21)	2,764.50	2,764.50
Leo Utility and Power Limited 47,500 equity shares of Rs. 10 each	4.75	4.75
Less : Provision for diminution in value	4.75	-
	-	4.75
Associate Companies		
Petro Araldite Private Limited 13,68,000 equity shares of Rs 100 each	1,368.00	1,368.00
	17,980.08	18,127.11
Aggregate value of unquoted investments	13,777.63	13,773.65
Aggregate value of quoted investments (net of provisions)	4,202.45	4,353.46
Market value of quoted investments	5,789.68	4,262.94

CURRENT ASSETS, LOANS AND ADVANCES

SCHEDULE - 7
(Rupees in Lacs)

	As at 31st March, 2006	As at 31st March, 2005
A. CURRENT ASSETS:		
Inventories		
Stores	3,030.46	2,590.80
Loose tools	1.98	0.21
Raw materials	4,844.20	1,925.32
Work in process	1,565.94	639.39
Finished goods	<u>1,455.16</u>	<u>5,195.81</u>
	10,897.74	10,351.53
Sundry debtors (Unsecured)		
Outstanding over six months		
Considered good	-	755.84
Considered doubtful	<u>102.08</u>	<u>29.21</u>
	102.08	785.05
Outstanding under six months		
Considered good	<u>7,297.67</u>	<u>4,641.06</u>
	7,399.75	5,426.11
Less : Provision for doubtful debts	<u>102.08</u>	<u>29.21</u>
	7,297.67	5,396.90
Cash and bank balances		
Cash on hand	1.26	1.86
Cheques on hand	300.20	358.99
With scheduled banks:		
On current accounts	989.00	836.23
On deposit accounts	32.38	1.00
On margin money account	<u>169.65</u>	<u>101.45</u>
	1,492.49	1,299.53
B. LOANS AND ADVANCES:		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	4,509.96	4,849.82
Considered doubtful	<u>161.89</u>	<u>125.23</u>
	4,671.85	4,975.05
Less : Provision for doubtful advances	<u>161.89</u>	<u>125.23</u>
	4,509.96	4,849.82
Balances with excise and customs authorities	<u>529.41</u>	<u>480.68</u>
	5,039.37	5,330.50
	<u>24,727.27</u>	<u>22,378.46</u>



CURRENT LIABILITIES AND PROVISIONS

SCHEDULE - 8 (Rupees in Lacs)

	As at 31st March, 2006	As at 31st March, 2005
A. CURRENT LIABILITIES		
Acceptances	1,457.81	-
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	-	0.37
- Others	<u>14,547.61</u>	<u>10,450.65</u>
	14,547.61	10,451.02
Unpaid dividends	154.90	163.70
Interest accrued but not due	1.03	-
Advances received from customers	<u>2,119.45</u>	<u>2,031.24</u>
	18,280.80	12,645.96
B. PROVISIONS		
Provision for leave encashment	230.10	180.01
Proposed dividend	899.71	899.71
Taxation (net)	<u>411.55</u>	<u>180.37</u>
	1,541.36	1,260.09
	19,822.16	13,906.05

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2006.

OTHER INCOME

SCHEDULE - 9 (Rupees in Lacs)

	Year ended 31st March, 2006	Year ended 31st March, 2005
Scrap Sales	137.15	342.34
Dividend from trade investments	-	40.98
Exchange difference(net)	85.29	7.35
Rent	276.15	247.15
Profit on sale of assets (net)	-	0.29
Miscellaneous income	<u>277.75</u>	<u>37.86</u>
	776.34	675.97

MANUFACTURING AND OTHER EXPENSES**SCHEDULE - 10**

(Rupees in Lacs)

	Year ended 31st March, 2006	Year ended 31st March, 2005
Raw materials and Intermediates consumed	40,015.81	36,852.21
Purchase of traded goods	162.00	5,017.50
Stores and spare parts consumed	3,251.93	2,503.35
Utilities consumed	842.00	846.96
Power and fuel	14,900.53	11,803.66
Payments to and provisions for employees		
Salaries and allowances	1,476.15	1,416.14
Contribution to provident and other funds	169.71	183.01
Staff welfare	378.49	347.96
Travel and conveyance	206.21	206.20
Insurance	398.36	459.96
Rent	181.34	111.26
Rates and taxes	452.50	444.78
Repairs and maintenance		
Machinery	790.78	727.65
Buildings	79.73	90.79
Others	254.78	185.99
	<u>1,125.29</u>	<u>1,004.43</u>
Discounts	6,513.38	3,859.72
Commission	293.96	335.65
Freight	2,151.05	1,963.40
Directors' sitting fees	13.70	10.45
Provision for doubtful debts / advances	109.53	35.48
Bad debts written off	-	118.96
Exchange fluctuation (net)	-	-
Loss on sale/scrapping of assets (net)	0.32	-
Legal and Professional charges	163.60	224.94
Miscellaneous expenses	627.69	628.65
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	(574.94)	555.88
(Increase) / Decrease in work in process and finished goods		
Opening Stock		
Work in process	639.39	897.27
Finished goods	5,195.81	1,624.90
	<u>5,835.20</u>	<u>2,522.17</u>
Closing Stock		
Work in process	1,565.94	639.39
Finished goods	1,455.16	5,195.81
	<u>3,021.10</u>	<u>5,835.20</u>
	2,814.10	(3,313.03)
	<u>75,672.71</u>	<u>65,617.52</u>



INTEREST

SCHEDULE - 11 (Rupees in Lacs)

	Year ended 31st March, 2006	Year ended 31st March, 2005
Interest expenses		
- on fixed period loans	1,777.88	2,346.79
- others	<u>756.07</u>	<u>690.09</u>
	2,533.95	3,036.88
	2,533.95	3,036.88
Less : Interest income		
- On bank and intercorporate deposits	85.34	114.03
- On others	<u>12.16</u>	<u>3.89</u>
	97.50	117.92
	2,436.45	2,918.96
Less : Interest capitalised	248.02	221.52
	2,188.43	2,697.44

SCHEDULE - 12

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

1 ACCOUNTING POLICIES

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

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

I FIXED ASSETS AND DEPRECIATION

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

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

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

II IMPAIRMENT OF FIXED ASSETS

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

III FOREIGN CURRENCY TRANSACTIONS

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

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

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

IV INVESTMENTS

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

V INVENTORIES

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

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

VI REVENUE RECOGNITION

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

VII RETIREMENT BENEFITS

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

VIII TAXES ON INCOME

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

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

IX CONTINGENT LIABILITIES

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

- 2 In December 1993, the company came out with Rights cum Public Issue of Equity Shares. The difference between issued and subscribed capital of 5,425 shares (previous year 5,425 shares) is due to said shares kept in abeyance under Section 206 A of the Companies Act, 1956.
- 3 Research and development expenses incurred on revenue account is Rs.10.58 lacs (Previous year Rs.13.42 lacs).
- 4 a) Fixed Assets (other than furniture and fixtures, office and other equipment, vehicles, ships-barges, certain land and plant and machinery) have been revalued as on 31st March 1996 on the basis of "Existing Use value" by independent professional valuers. The resultant surplus on such revaluation over the written down value of these assets amounting to Rs. 21,409.20 lacs has been credited to revaluation reserve as on 31st March 1996.
- b) The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs.1,829.25 lacs (previous year Rs.1,829.25 lacs) representing extra depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.



(Rs.in Lacs)

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

6 **Contingent Liabilities**

a) Bills discounted

b) Other claims not acknowledged as debts

i) **Sales tax**

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

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

ii) **Excise duty**

iii) **Service Tax**

iv) **Income Tax**

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.

7 **Dividend paid in foreign currency**

Number of shareholders

Number of shares held

Amount of dividend paid (Rs. lacs)

Dividend for the year ended

8 **Managerial Remuneration**

Wholetime Directors' remuneration*

Non-Wholetime Directors - Commission

Directors' Sitting Fee

	As at March 31, 2006	As at March 31, 2005
	1,068.39	602.55
	1,625.91	306.05
	8,827.10	8,824.62
	695.60	1,053.14
	6.21	6.21
	1,351.87	-
	14	17
	19,22,200	19,23,400
	19.22	24.04
	March 31, 2005	March 31, 2004
	44.28	32.15
	Nil	8.33
	13.70	10.45
	57.98	50.93

* Rs. 5.18 lacs is subject to shareholders approval.

9	Computation of net profit under Section 198 of the Companies Act, 1956	(Rs. in lacs)	
		Year ending March 31, 2006	Year ending March 31, 2005
	Profit before taxation as per profit and loss account	145.44	689.18
	Add: Depreciation as per accounts	3,868.15	4,982.04
	Managerial remuneration	57.98	50.93
	Provision for doubtful debts / advances	109.53	35.48
	Loss on sale of investments	87.04	529.90
	(Profit)/Loss on sale of assets (net) as per accounts	0.32	(0.29)
		4,123.02	5,598.06
		4,268.46	6,287.24
	Less : Depreciation under section 350 of the Companies Act, 1956	4,159.90	4,217.13
	Write back of Provision for diminution in value of Investments	127.23	568.03
	(Profit)/Loss on sale of assets (net) as per Section 349 of the Companies Act, 1956	0.32	(0.29)
		4,287.45	4,784.87
	Net Profit/(Loss) in terms of Section 198 of the Companies Act, 1956	(18.99)	1,502.37
	Maximum commission to Non Wholetime Directors @ 1% of Net Profits Restricted to	Nil Nil	15.02 8.33
10	Auditor's remuneration		
	Audit fee	12.00	11.00
	Other services	7.30	2.00
	Reimbursement of expenses / levies	2.43	1.80
11	CIF Value of imports		
	Capital goods	240.51	361.71
	Intermediates	128.48	6,156.82
	Raw materials	1,414.98	265.04
	Stores and spares	1,428.50	1,163.08
	Traded goods	-	2,261.12
12	Expenditure in foreign currency		
	Travel and training	8.11	11.51
	Technical fees	273.19	357.67
	Others	100.79	64.76
13	Earnings in foreign exchange		
	Export of goods on FOB basis	9,504.55	4,534.51



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	95,000	95,000	82,233	90,870
Heavy Normal Paraffin	MT	15,000	15,000	5,279	6,071
Heavy Alkylate	MT	N.A	N.A	3,933	5,010
Epichlorohydrin	MT	10,000	10,000	11,135	10,500
Wind Power	KW/Units	12,000 KW	12,000 KW	17,256,157 Units	18,662,441 Units
Caustic Soda	MT	56,100	56,100	59,172	59,528
Chlorine	MT	40,000	40,000	48,727	48,138
Hydrochloric acid	MT	39,600	39,600	31,495	32,626
Ammonium Chloride	MT	21,000	21,000	803	1,043

* 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 (i) Raw materials and Intermediates consumed

	Year ended March 31, 2006		Year ended March 31, 2005	
	% of total consumption	Value (Rs. lacs)	% of total consumption	Value (Rs. lacs)
Imported	36	14,543.49	21	7,674.56
Indigenous	64	25,472.32	79	29,177.65
	100	40,015.81	100	36,852.21
(ii) Stores and Spare parts consumed				
Imported	50	1,617.91	55	1,384.16
Indigenous	50	1,634.02	45	1,119.19
	100	3,251.93	100	2,503.35

16 Purchase of Traded goods

Unit of Measurement	Year ended March 31, 2006		Year ended March 31, 2005	
	Quantity	Value (Rs. lacs)	Quantity	Value (Rs. lacs)
Normal Paraffin	MT	-	6,534	1,576.43
Linear Alkyl Benzene	MT	295.862	5,588	3,441.07
		162.00		5,017.50

There are no opening and closing stocks of traded goods.

17 (a) The company has obtained exemption from the Government of India, Department of Company Affairs, vide Order No. 46/22/2006-CL-III dated 3rd February, 2006 from giving information in respect of para 3(i)(a) and 3(ii)(a)(1)&(2) of part II of Schedule VI to the Companies Act, 1956.

(b) The Government of India, Department of Company Affairs vide its Order No. 47/42/2006-CL-III dated 3rd February, 2006 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.

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

19 Earnings per share

	Year ended March 31, 2006	Year ended March 31, 2005
Profit after taxation (Rs. lacs)	203.76	1,182.37
Weighted number of equity shares outstanding	89,971,474	89,971,474
Basic and diluted earnings per share (Face value - Rs.10/- per share)	0.23	1.31



20. Related Party Disclosure under Accounting Standard - 18

- i) The list of related parties as identified by the management are as under
- | | | |
|---|------|---|
| A) Promoters | 1 | Southern Petrochemical Industries Corporation Limited |
| | 2 | Tamilnadu Industrial Development Corporation Limited |
| B) Associate | | Petro Araldite Private Limited |
| C) Subsidiaries | 1 | Certus Investment and Trading Limited |
| | 2 | Certus Investment and Trading (S) Private Limited |
| | 3 | SPIC Electric Power Corporation Private Limited |
| | 4 | Leo Utility and Power Limited |
| D) Joint Venture | | Gulf Petroproducts Company., E.C. |
| E) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual. | None | |
| F) Key management personnel | 1 | Thiru RM.Muthukaruppan -
Managing Director & Chief Operating Officer |
| | 2 | Thiru V.Ramani -
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. Provision for doubtful advance has been made during the year for Rs.36.66 lacs in respect of Leo Utility and Power Limited and provision for doubtful debts of Rs 1.40 lacs in respect of SPIC Ltd. There are no other related parties where control exists that needs to be disclosed.

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

Sl. No.	Particulars	Promoters	Associate	Joint Venture	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP
1	Advance against equity			3.00 (52.05)			
	Certus Investment and Trading Limited				- (905.20)		
	Leo Utility and Power Limited				15.07 (13.28)		
2	Investment						
	Certus Investment and Trading Limited				8.73* (2,768.75)		
3	Sale of goods	32.64 (38.02)	7,410.49 (4,748.60)				
	Certus Investment and Trading Limited				7,020.56 (1,779.88)		
4	Service/Consultancy charges	3.31 (5.55)					
5	Commission	59.23 (97.66)					
6	Managerial remuneration					44.28 (32.15)	
7	Rent paid	1.20 (1.20)					
8	Reimbursement of Expenses	15.49 (22.71)					
9	Sitting Fees	3.80 (3.00)					
10	Dividend Paid					0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	152.34 (190.43)					
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	158.44 (198.05)					
11	Balance outstanding as of 31 st March 2006	28.87Dr (261.46)Dr	839.46Dr (408.03)Dr	155.87Dr (152.87)Dr	1,739.68Dr (1,769.30)Dr	13.80Cr (4.80)Cr	- (-)

* Includes conversion into equity of advances made in earlier years of Rs. 8.73 lacs (previous year Rs.1,802.18 lacs)
Transactions with promoters are with SPIC unless otherwise disclosed.
Figures in brackets are in respect of the previous year.



21 As at 31st March 2006, the company has investments of Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003. SEPC signed a Memorandum of Understanding (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 statutory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement, TNEB have committed to provide Escrow. However, as there was a delay in allocation of Escrow by TNEB, SEPC filed a Writ Petition in the Madras High Court seeking a direction for early allocation of Escrow. The company is awaiting the outcome of the case.

Currently, the company is in discussion with prospective investors for implementation of the project. In view of these developments, no provision for permanent diminution in the value of investment is considered necessary at this stage.

22 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. Various alternative uses of the equipments and drawings pertaining to this project amounting to Rs.1,793.07 lacs, included in capital work in progress, is under consideration. The company expects to realise at least the book value of the said equipments and drawings.

23 Exceptional item represents loss on sale of investments (net) of Rs.87.04 lacs (previous year Rs.529.90 lacs) and write back of provision for diminution in value of investments (net) of Rs.127.23 lacs (previous year provision of Rs.568.03 lacs)

24 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	Year ended 31.12.2005	Year ended 31.12.2004
I a) Net Fixed Assets	0.09	0.36
b) Cash and Bank Balances	5.36	3.99
c) Loans and Advances	1,569.02	1,495.65
II Current Liabilities and Provisions	1,195.06	1,132.12
III Expenses	1.36	1.82
Depreciation	0.27	0.55

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

(Rupees in Lacs)

	As at March 31, 2005	Tax effect for the Year	As at March 31, 2006
Deferred tax asset :			
Unabsorbed depreciation	42.43	(42.43)	-
Accrued expenses deductible on payment	145.94	162.60	308.54
Provision for doubtful debts / advances	51.98	36.88	88.86
Total	240.35	157.05	397.40
Deferred tax (liability):			
Fixed assets	(9,783.44)	562.27	(9,221.17)
Net deferred tax (liability)	(9,543.09)	719.32	(8,823.77)

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)	SPIC Electric Power Corporation Private Limited	Leo Utility and Power Limited
1. The Financial Year of the Subsidiary Companies ended on	31st December, 2005	31st December, 2005	31st March, 2006	31st March, 2006
2. Date from which they became Subsidiary Companies	30th October, 2001	10th November, 2004	26th September, 2003	25th August, 2003
3. a. Number of Shares held by Tamilnadu Petroproducts Limited in the Subsidiaries at the end of the financial year of the Subsidiary Companies.	2,04,190 Equity Shares of the face value of US \$100 each fully paid up	60,339 Equity Shares of the face value of US \$1 each fully paid up held by Certus Investment & Trading Limited	27,644,955 Equity Shares of the face value of Rs.10 each fully paid up	47,500 Equity Shares of the face value of Rs.10 each fully paid up
b. Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies.	100.00%	100.00%	98.22%	95.00%
4. The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company				
a. Not dealt with in the Holding Company's Accounts :				
i) for Subsidiary's financial year	US \$ 31,996 Rs. 14.43 lacs	US \$ 87,839 Rs. 39.62 lacs	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	US \$ 2,09,351 Rs. 96.82 lacs	US \$ (14,035) Rs. (6.32) lacs	NIL	NIL
b. Dealt with in Holding Company's accounts				
i) for Subsidiary's financial year	NIL	NIL	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	Not Applicable	NIL	NIL
5. Changes in the interest of the holding Company between the end of the financial year of the Subsidiary Company's and the end of the Holding Company's financial year				
Number of Equity shares allotted	NIL	NIL	Not Applicable	Not Applicable
Face Value				
Paid up value				
Extent of Share holding			Not Applicable	Not Applicable
6. Material changes between the end of the Subsidiary's financial year and the end of the Holding Company's Financial year.				
i) Subsidiary's Fixed Assets	NIL	NIL	Not Applicable	Not Applicable
ii) Subsidiary's Investments	NIL	NIL	Not Applicable	Not Applicable
iii) monies lent by the Subsidiary	NIL	NIL	Not Applicable	Not Applicable
iv) monies borrowed by the Subsidiary, other than that of meeting current liabilities	NIL	NIL	Not Applicable	Not Applicable
(advance towards equity)	NIL	NIL	Not Applicable	Not Applicable

Note :

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

For and on behalf of the Board

RM. MUTHUKARUPPAN
Managing Director & COO

V. RAMANI
Director & CFO

M.B. GANESH
Secretary

Place : Chennai
Date : 28th April 2006



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, 2006 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries and joint venture, whose financial statements reflect total assets of Rs. 17,445.43 lacs as at 31st March 2006 and total revenues of Rs.7,045.41 lacs and cash flows amounting to Rs. 147.62 lacs for the year then ended and associate whose financial statements reflect the TPL group's share of reserves and surplus of Rs.385.57 lacs (negative) including profit of Rs. 315.06 lacs for the year ended 31st March 2006. 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 the 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 Investments in Associates in Consolidated Financial Statements and AS 27 - Financial reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

(i) *As stated in Note 11, no provision has been considered necessary by the management in respect of the net assets included in these accounts reflecting the value of investments of Rs. 2,764.50 lacs held by the holding Company in its subsidiary, SPIC Electric Power Corporation Private Limited. In view of the considerable delay in the implementation of the project we are unable to express an opinion on the provision, if any, required in respect of the said net assets reflecting the value of the above referred investments.*

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

- a) In the case of the consolidated balance sheet of the state of affairs of the TPL Group as at 31st March 2006; and
- b) In the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- c) In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co
Chartered Accountants

H.L. Shah
Partner

Place : Chennai
Date : 28th April, 2006

Consolidated Balance Sheet of Tamilnadu Petroproducts Limited as at 31st March 2006 (Rupees in Lacs)

	SCHEDULE	As at March 31, 2006	As at March 31, 2005
SOURCES OF FUNDS			
Shareholders' Funds:			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	<u>29,886.39</u>	<u>32,056.45</u>
		38,883.54	41,053.60
Advance towards share capital		1,003.24	1,003.24
Minority Interest		50.00	50.25
Loan Funds:			
Secured	3	22,901.75	27,546.62
Unsecured	4	<u>1,611.60</u>	<u>1,886.01</u>
		24,513.35	29,432.63
Deferred tax liabilities (net)		8,823.77	9,543.09
TOTAL		<u>73,273.90</u>	<u>81,082.81</u>
APPLICATION OF FUNDS			
Fixed Assets:	5		
Gross block		120,264.67	120,043.38
Less: Depreciation		<u>77,441.50</u>	<u>71,766.39</u>
Net Block		42,823.17	48,276.99
Capital work in progress		<u>7,687.76</u>	<u>6,820.95</u>
		50,510.93	55,097.94
INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD PENDING ALLOCATION	6	4,433.92	4,077.72
INVESTMENTS	7	5,184.88	5,020.83
CURRENT ASSETS, LOANS AND ADVANCES	8		
Inventories		10,897.74	10,351.53
Sundry debtors		7,349.56	5,450.09
Cash and bank balances		10,454.13	10,113.55
Loans and advances		<u>6,568.90</u>	<u>6,764.19</u>
		35,270.33	32,679.36
Less: CURRENT LIABILITIES AND PROVISIONS	9		
Current liabilities		20,582.23	14,530.83
Provisions		<u>1,547.42</u>	<u>1,266.03</u>
		22,129.65	15,796.86
Net current assets		13,140.68	16,882.50
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		3.49	3.82
TOTAL		<u>73,273.90</u>	<u>81,082.81</u>
Notes to the accounts	13		

As per our report of even date attached

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner

Place : Chennai
Date : 28th April 2006

For and on behalf of the Board

D. RAJENDRAN
ASHWIN C. MUTHIAH
C. RAMACHANDRAN
RM. MUTHUKARUPPAN
V. RAMANI

Chairman
Director
Director
Managing Director & COO
Director & CFO

M.B. GANESH
Secretary



Consolidated Profit and Loss Account of Tamilnadu Petroproducts Limited
for the year ended 31st March 2006

(Rupees in Lacs)

	SCHEDULE	Year ended March 31, 2006	Year ended March 31, 2005
INCOME			
Sales and services		92,341.02	83,106.29
Less : Excise duty		11,257.97	9,714.15
Net Sales and services		<u>81,083.05</u>	<u>73,392.14</u>
Other income	10	788.17	675.97
		<u>81,871.22</u>	<u>74,068.11</u>
EXPENDITURE			
Manufacturing and other expenses	11	76,025.15	65,774.94
Interest (Net)	12	1,884.99	2,557.25
Depreciation for the year		5,697.67	6,811.84
Less:credit for amount withdrawn from revaluation reserve		<u>1,829.25</u>	<u>1,829.25</u>
		<u>3,868.42</u>	<u>4,982.59</u>
		<u>81,778.56</u>	<u>73,314.78</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			
		92.66	753.33
Exceptional items (see Note 13)		44.94	38.13
PROFIT BEFORE TAXATION			
		<u>137.60</u>	<u>791.46</u>
Provision for tax			
- current		628.26	58.98
- earlier years		-	(41.55)
- deferred		(719.32)	(505.64)
- fringe benefit		<u>40.00</u>	<u>-</u>
		<u>(51.06)</u>	<u>(488.21)</u>
PROFIT AFTER TAXATION			
		188.66	1,279.67
Share of profits of Associate		315.06	307.68
Net Profit			
		<u>503.72</u>	<u>1,587.35</u>
Balance brought forward		9,483.82	4,922.37
AMOUNT AVAILABLE FOR APPROPRIATION			
		<u>9,987.54</u>	<u>6,509.72</u>
APPROPRIATIONS			
Transfer from Debenture Redemption Reserve		-	(4,000.00)
Proposed dividends		899.71	899.71
Tax on dividends		126.19	126.19
Balance carried to balance sheet		<u>8,961.64</u>	<u>9,483.82</u>
		<u>9,987.54</u>	<u>6,509.72</u>
Earnings per share : (after exceptional items)			
Basic and diluted		0.56	1.76
Notes to the accounts	13		

Per our report of even date attached to the balance sheet

For and on behalf of the Board

For A.F. Ferguson & Co.
Chartered Accountants

H.L. Shah
Partner
Place : Chennai
Date : 28th April 2006

D. RAJENDRAN
ASHWIN C. MUTHIAH
C. RAMACHANDRAN
RM. MUTHUKARUPPAN
V. RAMANI

Chairman
Director
Director
Mg. Director & COO
Director & CFO
M.B. GANESH
Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

(Rupees in Lacs)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
A Cash Flow from Operating Activities:		
Profit before tax	137.60	791.46
Adjustment for		
Depreciation	3,868.42	4,982.59
Loss on sale / scrapping of fixed assets (net)	0.32	0.74
Loss on sale of investments (net)	87.04	529.90
Provision for diminution in value of investments (net)	(131.98)	(568.03)
Provision for doubtful debts / advances (net)	72.87	35.48
Bad debts / advances written off	-	118.96
Incidental expenditure during construction period written off	42.23	-
Miscellaneous expenditure written off	0.33	-
Unrealised exchange gain (net)	9.03	30.75
Interest expense	2,285.93	2,815.36
Interest income	(400.94)	(258.11)
Income from investments	-	(40.98)
Translation adjustment on consolidation	181.37	20.98
	<u>6,014.62</u>	<u>7,667.64</u>
Operating profit before working capital changes	6,152.22	8,459.10
Adjustments for :		
(Increase)/Decrease in sundry debtors	(1,968.56)	(353.52)
(Increase)/Decrease in inventories	(546.21)	(2,367.98)
(Increase)/Decrease in loans and advances	(438.35)	438.20
Increase/(Decrease) in current liabilities and provisions	6,097.75	4,038.95
	<u>3,144.63</u>	<u>1,755.65</u>
Cash generated from operations	9,296.85	10,214.75
Direct taxes paid	(436.56)	(426.77)
Net Cash from Operating Activities	<u>8,860.29</u>	<u>9,787.98</u>
B Cash Flow from Investing Activities:		
Additions to fixed assets (including capital work in progress and advances)	(1,270.94)	(4,122.86)
Proceeds from sale of fixed assets	9.32	0.97
Proceeds from sale of investments	195.95	826.11
Income from investments	-	40.98
Interest received	404.92	266.24
Proceeds from Loans / Deposits with companies	631.25	135.04
	<u>(29.50)</u>	<u>(2,853.52)</u>
Net cash (used) in investing activities	<u>(29.50)</u>	<u>(2,853.52)</u>



Consolidated Cash Flow Statement for the year ended 31st March 2006 (continued)

(Rupees in Lacs)

	For the year ended 31st March, 2006		For the year ended 31st March, 2005
C. Cash Flow from Financing Activities:			
Proceeds from new borrowings (net)	3,525.60		21,770.17
Repayment of borrowings	(8,444.88)		(24,755.78)
Dividend paid	(908.51)		(1,128.23)
Dividend tax paid	(126.19)		(144.09)
Interest paid	(2,532.92)		(3,152.89)
Prepayment premium paid	-		(673.53)
	<u>(8,486.90)</u>		<u>(8,084.35)</u>
Net cash (used) in financing activities	(8,486.90)		(8,084.35)
Net cash flows during the year (A+B+C)	343.89		(1,149.89)
Cash and cash equivalents (Opening balance)	10,113.55		11,248.15
Adjustment for unrealised exchange gain / (loss)	(5.30)		9.99
	<u>10,108.25</u>		<u>11,258.14</u>
Cash and cash equivalents (Closing balance)	10,454.13		10,113.55
Adjustment for unrealised exchange gain / (loss)	(1.99)		(5.30)
	<u>10,452.14</u>		<u>10,108.25</u>
Net increase / (decrease) in cash and cash equivalents	343.89		(1,149.89)

As per our report attached to the Balance Sheet

For and on behalf of the Board

For A.F. Ferguson & Co.
Chartered Accountants

RM. MUTHUKARUPPAN V. RAMANI M.B. GANESH
Managing Director & Director & Secretary
Chief Operating Officer Chief Financial Officer

H.L. Shah
Partner

Place : Chennai
Date : 28th April 2006

SCHEDULES**SHARE CAPITAL****SCHEDULE - 1**
(Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
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 March 31 2005	Translation adjustment on consolidation	Transfer from profit and loss account/ additions during the year	Transfer to profit and loss account/ deductions during the year	Balance as at March 31 2006
Capital reserve	42.23 (42.23)	- (-)	- (-)	- (-)	42.23 (42.23)
Securities premium account	4,611.57 (5,285.10)	- (-)	- (-)	- (673.53)	4,611.57 (4,611.57)
Debenture redemption reserve account	- (4,000.00)	- (-)	- (-)	- (4,000.00)	- (-)
Revaluation reserve account (Note 5)	4,764.28 (6,593.53)	- (-)	- (-)	1,829.25 (1,829.25)	2,935.03 (4,764.28)
Foreign currency translation reserve (on consolidation)	(721.34) (-742.32)	181.37 (20.98)	- (-)	- (-)	(539.97) (-721.34)
General reserve	13,875.89 (13,875.89)	- (-)	- (-)	- (-)	13,875.89 (13,875.89)
Profit and loss account	9,483.82 (4,922.37)	- (-)	8,961.64 (9,483.82)	9,483.82 (4,922.37)	8,961.64 (9,483.82)
	32,056.45 (33,976.80)	181.37 (20.98)	8,961.64 (9,483.82)	11,313.07 (11,425.15)	29,886.39 (32,056.45)

Figures in brackets relate to previous year.



SECURED LOANS

SCHEDULE - 3 (Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
Loans from financial institutions		
Term loans [Amounts due within one year Rs. 1,041.67 lacs (Previous year Rs. Nil)]	8,854.04	10,000.00
Loans from banks		
Term loans [Amounts due within one year Rs. 979.17 lacs (Previous year Rs. 1,000 lacs)]	4,148.25	5,160.88
Others (Long term)		
[Amounts due within one year Rs. 1,375.00 Lacs (Previous year Rs. 2,000.00 lacs)]	4,507.60	5,500.00
Others (Short term)	<u>5,391.86</u>	<u>6,885.74</u>
	<u>22,901.75</u>	<u>27,546.62</u>

Note:

1. Loans of Rs. 8,854.04 lacs (previous year Rs. 10,000.00 lacs) from financial institutions are secured by a first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 (b) and 3 (a) below.
2. Loans from banks comprises of :
 - a. Term loan of Rs. Nil (Previous year Rs. 250.00 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds.
 - b. Term loan of Rs. 4,148.25 lacs (previous year Rs. 4,910.88 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. 4,125.00 lacs (previous year Rs. 5,500.00 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 ranking pari passu with the loans stated in note 1 & 2(b).
 - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at the Chlor Alkali Division of the company and
 - c. Pledge of all the equity shares held by the Company in Henkel India Limited (formerly Henkel SPIC India Limited).
 (B) Term Loan of Rs. 382.60 lacs (previous year Rs. Nil) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and ownership of each of the receivables on the specified property.
4. Other (short term) loans from banks of Rs. 5,391.86 lacs (previous year Rs. 6,885.74 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 March 31, 2006	As at March 31, 2005
Loans from banks	249.99	1,000.00
Interest Free Sales Tax Loan	1,361.61	886.01
	<u>1,611.60</u>	<u>1,886.01</u>

FIXED ASSETS
SCHEDULE – 5

(Rupees in Lacs)

Description	COST / VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.03.2005	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2006	As at 31.03.2005	For the year	Deductions/ Adjustments	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land	2,762.78	0.50	-	2,763.28	-	-	-	-	2,763.28	2,762.78
Buildings	5,825.37	-	-	5,825.37	1,246.75	135.58	-	1,382.33	4,443.04	4,578.62
Plant and machinery	110,057.63	221.65	3.84	110,275.44	69,665.97	5,453.02	-	75,118.99	35,156.45	40,391.66
Furnitures and fixtures	166.54	4.67	10.71	160.50	116.57	7.25	2.03	121.79	38.71	49.97
Office and other equipment	861.40	23.40	3.41	881.39	496.83	53.60	5.05	545.38	336.01	364.57
Vehicles	272.30	5.15	16.12	261.33	176.01	42.34	1.18	217.17	44.16	96.29
Ships - Barges	96.00	-	-	96.00	63.26	6.62	15.31	54.57	41.43	32.74
Group share in joint venture	1.36	-	-	1.36	1.00	0.27	-	1.27	0.09	0.36
	120,043.38	255.37	34.08	120,264.67	71,766.39	5,698.68	23.57	77,441.50	42,823.17	
Previous year	117,460.18	2,590.38	7.18	120,043.38	64,958.77	6,813.09	5.47	71,766.39		48,276.99
Capital work in progress (Refer Note 12)									7,687.76	6,820.95
									50,510.93	55,097.94

Depreciation for the year includes Rs.1.01 lacs in respect of SPIC Electric Power Corporation Private Limited and Leo Utility and Power Limited grouped under Schedule 6.

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

(Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
Payment to and provision for employees		
Salaries and allowances	457.52	439.69
Contribution to provident and other funds	33.88	33.74
Staff welfare	52.26	51.35
	543.66	524.78
Repairs and maintenance - others	37.53	36.43
Land lease rent	1,383.24	1,015.22
Rent, rates and taxes	131.46	130.80
Professional fees	1,612.33	1,611.80
Travel	266.94	266.11
Directors sitting fees	5.94	5.09
Miscellaneous expenditure	389.90	383.97
Depreciation	145.06	144.05
Loss on sale of assets	4.35	3.48
	4,520.41	4,121.73
Less : Interest on deposits	44.01	44.01
	4,476.40	4,077.72
Less Incidental expenditure written off	42.48	-
	4,433.92	4,077.72

INVESTMENTS
SCHEDULE - 7

(Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
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)	-	-
Tamilnadu Newsprint and Papers Limited		
Nil (Previous year 2,57,260) equity shares of Rs 10 each	-	282.99
Less : Provision for diminution in value	-	131.98
	-	151.01
Trade (at cost) (unquoted)		
Associate Company (accounted on equity method)		
Petro Araldite Private Limited	982.43	667.37
13,68,000 equity shares of Rs 100 each		
	5,184.88	5,020.83
Aggregate value of unquoted investments	982.43	667.37
Aggregate value of quoted investments (net of provisions)	4,202.45	4,353.46
Market value of quoted investments	5,789.68	4,262.94



CURRENT ASSETS, LOANS AND ADVANCES

SCHEDULE - 8
(Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
A. CURRENT ASSETS:		
Inventories		
Stores	3,030.46	2,590.80
Loose tools	1.98	0.21
Raw materials	4,844.20	1,925.32
Work in process	1,565.94	639.39
Finished goods	1,455.16	5,195.81
	<u>10,897.74</u>	<u>10,351.53</u>
Sundry debtors (Unsecured)		
Outstanding over six months		
Considered good	51.89	809.03
Considered doubtful	102.08	29.21
	<u>153.97</u>	<u>838.24</u>
Outstanding under six months		
Considered good	7,297.67	4,641.06
	<u>7,451.64</u>	<u>5,479.30</u>
Less : Provision for doubtful debts	102.08	29.21
	<u>7,349.56</u>	<u>5,450.09</u>
Cash and bank balances		
Cash on hand	1.26	1.88
Cheques on hand	300.20	358.99
With scheduled banks:		
On current accounts	993.27	840.48
On deposit accounts	32.38	1.00
On margin money account	169.65	101.45
With non scheduled banks on current account	8,952.01	8,805.76
Group share in cash and bank balances of joint venture	5.36	3.99
	<u>10,454.13</u>	<u>10,113.55</u>
B. LOANS AND ADVANCES:		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	4,470.47	4,787.86
Considered doubtful	125.23	125.23
	<u>4,595.70</u>	<u>4,913.09</u>
Less : Provision for doubtful advances	125.23	125.23
	<u>4,470.47</u>	<u>4,787.86</u>
Balances with excise and customs authorities	529.41	480.68
Group share in loans and advances of joint venture	1,569.02	1,495.65
	<u>6,568.90</u>	<u>6,764.19</u>
	<u>35,270.33</u>	<u>32,679.36</u>

CURRENT LIABILITIES AND PROVISIONS**SCHEDULE - 9**

(Rupees in Lacs)

	As at March 31, 2006	As at March 31, 2005
A. CURRENT LIABILITIES		
Acceptances	1,457.81	-
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	-	0.37
- Others	<u>15,653.98</u>	<u>11,203.40</u>
	15,653.98	11,203.77
Unpaid dividends	154.90	163.70
Interest accrued but not due	1.03	-
Advances received from customers	2,119.45	2,031.24
Group share in current liabilities of joint venture	<u>1,195.06</u>	<u>1,132.12</u>
	20,582.23	14,530.83
B. PROVISIONS		
Provision for leave encashment	230.50	180.81
Proposed dividend	899.71	899.71
Taxation (net)	<u>417.21</u>	<u>185.51</u>
	1,547.42	1,266.03
	22,129.65	15,796.86

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2006.

OTHER INCOME**SCHEDULE - 10**

(Rupees in Lacs)

	Year ended March 31, 2006	Year ended March 31, 2005
Scrap Sales	137.15	342.34
Dividend from trade investments	-	40.98
Exchange difference (net)	97.12	7.35
Rent	276.15	247.15
Profit on sale of assets (net)	-	0.29
Miscellaneous income	<u>277.75</u>	<u>37.86</u>
	788.17	675.97



MANUFACTURING AND OTHER EXPENSES

SCHEDULE - 11
(Rupees in Lacs)

	Year ended March 31, 2006		Year ended March 31, 2005
Raw materials and Intermediates consumed	40,015.81		36,852.21
Purchase of traded goods	133.27		5,048.65
Stores and spare parts consumed	3,251.93		2,503.35
Utilities consumed	842.00		846.96
Power and fuel	14,900.53		11,803.66
Payments to and provisions for employees			
Salaries and allowances	1,476.15		1,416.14
Contribution to Provident and other funds	169.71		183.01
Staff welfare	378.49		347.96
Travel and conveyance	214.30		208.11
Insurance	398.36		459.96
Rent	189.26		120.47
Rates and taxes	452.50		444.78
Repairs and maintenance			
Machinery	790.78	727.65	
Buildings	79.73	90.79	
Others	254.78	185.99	
	<u>1,125.29</u>	<u>1,004.43</u>	
Discounts	6,513.38		3,859.72
Commission	293.96		335.65
Freight	2,151.05		1,963.40
Directors' sitting fees	13.70		10.45
Provision for doubtful debts / advances	72.87		35.48
Bad debts / advances written off	-		118.96
Exchange fluctuation (net)	0.03		5.21
Loss on sale/scraping of assets (net)	0.32		-
Legal and Professional charges	170.26		319.13
Miscellaneous expenses	978.90		642.58
Incidental expenditure during construction period written off	42.23		-
Miscellaneous expenditure written off	0.33		-
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	(574.94)		555.88
(Increase) / Decrease in work in process and finished goods			
Opening Stock			
Work in process	639.39	897.27	
Finished goods	5,195.81	1,624.90	
	<u>5,835.20</u>	<u>2,522.17</u>	
Closing Stock			
Work in process	1,565.94	639.39	
Finished goods	1,455.16	5,195.81	
	<u>3,021.10</u>	<u>5,835.20</u>	
	2,814.10		(3,313.03)
Group share in joint venture	1.36		1.82
	<u>76,025.15</u>		<u>65,774.94</u>

INTEREST**SCHEDULE - 12**

(Rupees in Lacs)

		Year ended March 31, 2006		Year ended March 31, 2005
Interest expenses				
- on fixed period loans	1,777.88		2,346.79	
- others	<u>756.07</u>		<u>690.09</u>	
		<u>2,533.95</u>		<u>3,036.88</u>
		2,533.95		3,036.88
Less : Interest income				
- On bank and intercorporate deposits	388.78		254.22	
- On others	<u>12.16</u>		<u>3.89</u>	
		<u>400.94</u>		<u>258.11</u>
		2,133.01		2,778.77
Less : Interest capitalised		<u>248.02</u>		<u>221.52</u>
		<u>1,884.99</u>		<u>2,557.25</u>

SCHEDULE - 13

**NOTES TO THE CONSOLIDATED ACCOUNTS OF TAMILNADU PETROPRODUCTS LIMITED
FOR THE YEAR ENDED 31ST MARCH 2006**

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

The companies considered in these consolidated financial statements are :

Name of the Company	Relationship	Country of Incorporation	Proportion of ownership interest	Year ending / whether audited
Certus Investment & Trading Limited	Subsidiary	Mauritius	100%	31.12.2005 Audited
Certus Investment and Trading(S) Private Limited	Subsidiary	Singapore	100%	31.12.2005 Audited
SPIC Electric Power Corporation Private Limited	Subsidiary	India	98.22%	31.03.2006 Audited
Leo Utility and Power Limited **	Subsidiary	India	95.00%	31.03.2006 Audited
Gulf Petroproduct Company E.C. *	Joint Venture	Kingdom of Bahrain	50.00%	31.12.2005 Audited
Petro Araldite Private Limited	Associate	India	24.00%	31.03.2006 Unaudited

** Company is proposed to be wound up.

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

In respect of Certus Investment & Trading Limited and Certus Investment & Trading (S) Private Limited adjustments have been made for significant transactions for the period 01.01.2006 to 31.03.2006 based on information received from them. In respect of Gulf Petroproduct Company E.C. there are no significant transactions during the period 01.01.2006 to 31.03.2006.

2 ACCOUNTING POLICIES

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



The significant accounting policies followed are as stated below :

I FIXED ASSETS AND DEPRECIATION

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

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

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

II IMPAIRMENT OF FIXED ASSETS

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

III FOREIGN CURRENCY TRANSACTIONS

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

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

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

IV INVESTMENTS

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

V INVENTORIES

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

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

VI REVENUE RECOGNITION

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

VII RETIREMENT BENEFITS

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

VIII TAXES ON INCOME

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

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

IX CONTINGENT LIABILITIES

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

- 3 In December 1993, the Company came out with Rights cum Public Issue of Equity Shares. The difference between issued and Subscribed capital of 5,425 shares (Previous year 5,425 shares) is due to said shares kept in abeyance under Section 206 A of the Companies Act, 1956.
- 4 Research and development expenses incurred on revenue account is Rs.10.58 lacs (Previous year Rs.13.42 lacs).
- 5 a) Fixed Assets of the Company (other than furniture and fixtures, office and other equipment, vehicles, ships-barges, certain land and plant and machinery) have been revalued as on 31st March 1996 on the basis of 'Existing Use value' by independent professional valuers. The resultant surplus on such revaluation over the written down value of these assets amounting to Rs. 21,409.20 lacs has been credited to revaluation reserve as on 31st March 1996.
- b) The depreciation charge for the year shown in the profit and loss account is after deducting an amount of Rs. 1,829.25 lacs (previous year Rs.1,829.25 lacs) representing extra depreciation arising on revaluation of fixed assets withdrawn from revaluation reserve.

(Rs.in Lacs)

	As at March 31, 2006	As at March 31, 2005
6 Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	1,068.39	602.55
7 Contingent Liabilities		
a) Bills discounted	1,625.91	306.05
b) Other claims not acknowledged as debts		
i) Sales tax	8,827.10	8,842.62
a) The Commercial Tax Department, based on certain observation of the records, disallowed the claim for exemption of turnover arising on account of stock transfers to branches effected by the Company during the years 1993-94 to 1996-97. The Company has preferred an appeal against the Order contesting the generalisation of the observation. The aggregate demand in this regard is Rs. 7,781.01 lacs (Rs. 7,781.01 lacs). There is no possibility of reimbursements from the customers, etc., as these demands relate to stock transfers.		
b) The Commercial Tax Department, while completing the assessment under the Tamilnadu General Sales Tax Act for 1994-95 & 1995-96, has questioned the genuineness of the declarations filed by certain customers for availing concessional rate of tax. The Company has disputed the claims and has preferred an appeal against the Order of the Department before the Tribunal. The aggregate demand in this regard is Rs. 1,007.07 lacs (Rs. 1,007.07 lacs). In case the declarations are found to be not genuine the Company has recourse to only the existing customers for reimbursement.		
ii) Excise duty	695.60	1,053.14
iii) Service Tax	6.21	6.21
iv) Income Tax	1,351.87	-
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.		



(Rs.in Lacs)

Year ended March 31, 2006	Year ended March 31, 2005
44.28	32.15
Nil	8.33
13.70	10.45
57.98	50.93

8 **Managerial Remuneration**

Wholetime Directors' remuneration*
Non-Wholetime Directors - Commission
Directors' Sitting Fee

* Rs. 5.18 lacs is subject to shareholders approval.

9. **Earnings per share**

	Year ended March 31, 2006	Year ended March 31, 2005
Profit after taxation (Rs. lacs)	503.72	1,587.35
Weighted number of equity shares outstanding	89,971,474	89,971,474
Basic and diluted earnings per share (Face value - Rs.10/- per share)	0.56	1.76

10. **Related Party Disclosure under Accounting Standard - 18**

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

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

Related Party Transactions

The Company has identified all related parties and details of transactions are given below. Provision for doubtful advance has been made during the year for Rs.36.66 lacs in respect of Leo Utility and Power Limited and provision for doubtful debts of Rs 1.40 lacs in respect of SPIC Ltd. There are no other related parties where control exists that needs to be disclosed.

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

Sl. No.	Particulars	Promoters	Associate	Joint Venture	Key Management Personnel (KMP)	Relatives of KMP
1	Advance against equity			3.00 (52.05)		
2	Sale of goods	32.64 (38.02)	7,410.49 (4,748.60)			
3	Service/Consultancy charges	3.31 (5.55)				
4	Commission	59.23 (97.66)				
5	Managerial remuneration				44.28 (32.15)	
6	Rent paid	1.20 (1.20)				
7	Reimbursement of expenses	15.49 (22.71)				
8	Sitting Fees	3.80 (3.00)				
9	Dividend Paid				0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	152.34 (190.43)				
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	158.44 (198.05)				
10	Balance outstanding as of 31 st March 2006	28.87Dr (261.46)Dr	839.46Dr (408.03)Dr	155.87Dr (152.87)Dr	13.80Cr (4.80)Cr	- (-)

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

11. As at 31st March 2006, the company has investments of Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003. SEPC signed a Memorandum of Understanding (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 statutory clearances for establishment, operation and maintenance of the project and also got the appraisal done by IDBI. As per the Power Purchase Agreement, TNEB have committed to provide Escrow. However, as there was a delay in allocation of Escrow by TNEB, SEPC filed a Writ Petition in the Madras High Court seeking a direction for early allocation of Escrow. The company is awaiting the outcome of the case.



Currently, the company is in discussion with prospective investors for implementation of the project. In view of these developments, no provision for permanent diminution in the value of investment 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. Various alternative uses of the equipments and drawings pertaining to this project amounting to Rs.1,793.07 Lacs, included in capital work in progress, is under consideration. The company expects to realise at least the book value of the said equipments and drawings.
13. Exceptional item represents loss on sale of investments (net) of Rs.87.04 lacs (previous year Rs.529.90 lacs) and write back of provision for diminution in value of investments (net) of Rs.131.98 lacs (previous year provision of Rs.568.03 lacs)

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

	As at March 31, 2005	Tax effect for the Year	As at March 31, 2006
Deferred tax asset :			
Unabsorbed Depreciation	42.43	(42.43)	-
Accrued expenses deductible on payment	145.94	162.60	308.54
Provision for doubtful debts/Advances	51.98	36.88	88.86
Total	240.35	157.05	397.40
Deferred tax (liability):			
Fixed assets	(9,783.44)	562.27	(9,221.17)
Net deferred tax (liability)	(9,543.09)	719.32	(8,823.77)

15. Information disclosed in accordance with the Government of India, Department of Company Affairs, Order No. 47/42/2006-CL-III dated 3rd February, 2006.

(Rupees in lacs)

Names of Subsidiaries

Particulars	Certus Investment & Trading Limited (includes its subsidiary, Certus Investment and Trading(S) Private Limited)		Leo Utility and Power Limited	SPIC Electric Power Corporation Private Ltd.
	Rupees in Lacs *	In USD		
Capital	9,106.87	20,419,000	5.00	2,814.50
Reserves	134.73	302,075	-	-
Total assets	10,955.61	24,564,159	8.80	4,917.69
Total liabilities	10,955.61	24,564,159	8.80	4,917.69
Investments	191.78	430,000	-	-
Turnover (inc. other income)	7,139.99	16,008,946	-	-
Profit before tax	(5.05)	(11,330)	-	-
Provision for taxation	5.58	12,500	-	-
Profit after tax	(10.63)	(23,830)	-	-
Proposed dividend	-	-	-	-

* Translated at exchange rate prevailing as on 31.03.2006 - 1 USD = Rs. 44.60

- 16 Based on the principles for determination of segments given in Accounting Standard - 17 "Segment reporting", issued by the Institute of Chartered Accountants of India, the 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

(Rs. in Lacs)

(A)	Information about primary business segment	2006			2005		
		Industrial Intermediate chemicals	Power	Total	Industrial Intermediate chemicals	Power	Total
a)	REVENUE						
	Sales to external customers	81,083.05	-	81,083.05	73,392.14	-	73,392.14
	Other income	512.02	-	512.02	387.84	-	387.84
	Total revenue	81,595.07	-	81,595.07	73,779.98	-	73,779.98
b)	RESULT						
	Segment result	1,701.50	-	1,701.50	3,022.45	-	3,022.45
	Interest expense	-	-	(2,285.93)	-	-	(2,815.36)
	Interest income	-	-	400.94	-	-	258.11
	Income from investments	-	-	-	-	-	40.98
	Unallocated corporate income	-	-	276.15	-	-	247.15
	Income taxes including deferred tax	-	-	51.06	-	-	488.21
	Exceptional items	-	-	44.94	-	-	38.13
	Profit after tax	-	-	188.66	-	-	1,279.67
	Share of profit of Associate company	-	-	315.06	-	-	307.68
Net Profit	-	-	503.72	-	-	1,587.35	
c)	OTHER INFORMATION						
	Segment assets	83,420.95	4,920.34	88,341.29	84,759.19	4,565.39	89,324.58
	Unallocated corporate assets	-	-	7,062.26	-	-	7,555.09
	Total Assets	83,420.95	4,920.34	95,403.55	84,759.19	4,565.39	96,879.67
d)	Segment liabilities	43,477.95	2,100.94	45,578.89	42,804.28	1,724.30	44,528.58
	Unallocated corporate liabilities	-	-	10,891.12	-	-	11,247.24
	Total Liabilities	43,477.95	2,100.94	56,470.01	42,804.28	1,724.30	55,775.82
e)	Capital expenditure	1,121.68	0.50	1,122.18	4,049.96	0.17	4,050.13
	Depreciation	3,868.42	-	3,868.42	4,982.59	-	4,982.59
	Non-cash expenses other than depreciation	-	-	72.87	-	-	154.44
(B)	Information about Secondary business segment	2006			2005		
		India	Outside India	Total	India	Outside India	Total
	Segment revenue	72,065.67	9,529.40	81,595.07	69,125.41	4,654.57	73,779.98
	Segment assets	75,816.20	12,525.09	88,341.29	76,973.91	12,350.67	89,324.58
	Additions to fixed assets	1,122.18	-	1,122.18	4,050.13	-	4,050.13

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

For and on behalf of the Board

D. RAJENDRAN
ASHWIN C. MUTHIAH
C. RAMACHANDRAN
RM. MUTHUKARUPPAN
V. RAMANI

Chairman
Director
Director
Managing Director & COO
Director & CFO

M.B. GANESH
Secretary

Place : Chennai
Date : 28th April 2006