



## Board of Directors

(As on 26<sup>th</sup> July 2007)

<b>SHAKTIKANTA DAS, IAS</b>	Chairman
<b>Dr. A.C. MUTHIAH</b>	Vice Chairman
<b>S. RAMASUNDARAM, IAS</b>	Director
<b>SUNIL PALIWAL, IAS</b>	Director
<b>T.S. SURENDRANATH</b>	Director
<b>S. SUSAI</b>	Director
<b>ASHWIN C. MUTHIAH</b>	Director
<b>BABU K. VERGHESE</b>	Director
<b>C. RAMACHANDRAN</b>	Director
<b>DHANANJAY N. MUNGALE</b>	Director
<b>N.R. KRISHNAN</b>	Director
<b>Dr. K.U. MADA</b>	Director
<b>V. RAMANI</b> (Whole-time Director)	Director & Chief Financial Officer
<b>RM. MUTHUKARUPPAN</b> (Whole-time Director)	Managing Director & Chief Operating Officer
<b>AUDIT COMMITTEE</b>	
<b>C. RAMACHANDRAN</b>	Chairman
<b>S. SUSAI</b>	Member
<b>DHANANJAY N. MUNGALE</b>	Member
<b>N.R. KRISHNAN</b>	Member
<b>Dr. K.U. MADA</b>	Member
<b>M.B. GANESH</b>	Secretary

### REGISTERED OFFICE & FACTORY

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

### CORPORATE OFFICE

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

### AUDITORS

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

### LEGAL ADVISOR

T. Raghavan,  
New No. 41, Kasturi Rangan 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  
Axis Bank Ltd.  
Federal Bank Ltd.  
IndusInd Bank Ltd.  
Industrial Development Bank of India Ltd.

### SECRETARIAL DEPARTMENT

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

### REGISTRAR & SHARE TRANSFER AGENTS

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

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## OPERATING RESULTS AT A GLANCE

(Rs. in Crores)

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross Profit	125.22	120.46	83.30	61.62	<b>42.58</b>
Interest	38.13	34.93	26.97	21.88	<b>24.74</b>
Profit before depreciation	87.09	85.53	56.33	39.74	<b>17.84</b>
Depreciation	49.98	47.25	49.82	38.68	<b>33.11</b>
Exceptional Item	(3.00)	(1.92)	0.38	0.40	-
Profit Before Tax	34.11	36.36	6.89	1.46	<b>(15.27)</b>
Provision for tax	11.08	14.15	(4.93)	(0.58)	<b>(4.21)</b>
Profit after tax	23.03	22.21	11.82	2.04	<b>(11.06)</b>
Networth	382.97*	380.91* <sup>@</sup>	375.74* <sup>\$</sup>	367.52*	<b>356.46*</b>

\* Net of Revaluation Reserve

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

<sup>\$</sup> 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 SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Company will be held at 10.15 a.m. on Friday the 28th September, 2007 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 2007 and Profit and Loss Account of the Company for the year ended 31st March 2007 and the Report of the Directors and Auditors.
2. To appoint a Director in place of Thiru Dhananjay N Mungale, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Thiru N.R. Krishnan, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Thiru Aswhin C Muthiah, who retires by rotation and being eligible offers himself for re-election.
5. To appoint a Director in place of Thiru V. Ramani, 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 M/s. Deloitte Haskins & Sells be and are hereby appointed as Statutory Auditors of the Company in the place of the retiring Auditors M/s. A.F. Ferguson & Co., Chartered Accountants and to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company.”

### 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 Sunil Paliwal, 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 a Special Resolution:  
“RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, approval be and is hereby accorded for the re-appointment of Thiru RM. Muthukaruppan as Whole-time Managing Director & Chief Operating Officer of the Company for a period of three years from 4<sup>th</sup> February 2007 to 3<sup>rd</sup> February 2010 and for payment of remuneration/ minimum remuneration as described below :

- (1) **Salary**  
Rs.90,000/- per month.
- (2) **Performance linked pay**  
Performance linked pay of Rs.10,00,000 per annum
- (3) **Allowances & Perquisites**

Allowance & Perquisites shall be allowed in addition to both Salary and Performance linked pay. However, it shall be restricted to an amount equal to Rs. 12,71,052/- per annum. Allowance and Perquisites are broadly classified as follows, viz., House Rent Allowance, Gas, Electricity, Water & Furnishing, Medical Reimbursement and Leave Travel concession as per rules of the Company, Personal Accident Insurance, Meal vouchers, Books & Periodicals, Residential Telephones, Special Allowances, Fees of clubs subject to a maximum of two clubs, Educational Allowances, Festival celebrations etc.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

However, ceilings under each of the above heads shall be fixed/re-fixed as may be mutually agreed to between the Company and the Appointee so as not to exceed the limit of Rs. 12,71,052/- or to allow any other perquisite.

- (4) **Other Payments and Provisions which shall not be included in the computation of the ceiling on remuneration :**

- i) **Contribution towards Provident Fund and Superannuation Fund:**

Contribution towards Provident Fund will be subject to a ceiling of 12.5% of the salary. Contributions to Pension/ Superannuation / Annuity Fund together with contribution to Provident Fund shall not exceed 27.5% of the salary. Contributions to Provident Fund, Pension / Superannuation / Annuity Fund to the extent of the limits prescribed under I.T.Rules 1962 or notification issued thereunder from time to time will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act / Rules / Notifications.

- ii) **Gratuity**  
Gratuity payable shall not exceed one half month's salary for each completed year of service.
- iii) **Leave encashment**  
Encashment of Leave as per the rules of the Company.
- iv) **Car**  
Provision of Company's car for business and personal use.



v) **Telephone**

Provision of telephone at residence.

**(5) Entertainment Expenses**

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

**Minimum Remuneration**

The remuneration aforesaid shall be the minimum remuneration payable to Thiru RM. Muthukaruppan.

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

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, approval be and is hereby accorded for the re-appointment of Thiru V. Ramani, Whole-time Director & Chief Financial Officer of the Company for a period of three years from 4<sup>th</sup> February 2007 to 3<sup>rd</sup> February 2010 and for payment of remuneration/ minimum remuneration as described below :

**(1) Salary**

Rs.80,000/- per month.

**(2) Performance Linked pay**

Performance Linked pay of Rs. 8,00,000 per annum

**(3) Allowances & Perquisites**

Allowance & Perquisites shall be allowed in addition to both Salary and Performance linked pay. However, it shall be restricted to an amount equal to Rs. 11,29,824/- per annum. Allowance and Perquisites are broadly classified as follows, viz., House Rent Allowance, Gas, Electricity, Water & Furnishing, Medical Reimbursement and Leave Travel concession as per rules of the Company, Personal Accident Insurance, Meal vouchers, Books & Periodicals, Residential Telephones, Special Allowances, Fees of clubs subject to a maximum of two clubs, Educational Allowances, Festival celebrations etc.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

However, ceilings under each of the above heads shall be fixed/re-fixed as may be mutually agreed to between the Company and the Appointee so as not to exceed the limit of Rs.11,29,824/- or to allow any other perquisite.

**(4) Other Payments and Provisions which shall not be included in the computation of the ceiling on remuneration :**

i) **Contribution towards Provident Fund and Superannuation Fund:**

Contribution towards Provident Fund will be subject to a ceiling of 12.5% of the salary. Contributions to Pension/ Superannuation / Annuity Fund together with contribution to Provident Fund shall not exceed 27.5% of the salary. Contributions to Provident Fund, Pension / Superannuation / Annuity Fund to the extent of the limits prescribed under I.T.Rules 1962 or notification issued thereunder from time to time will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act / Rules / Notifications.

ii) **Gratuity**

Gratuity payable shall not exceed one half month's salary for each completed year of service.

iii) **Leave encashment**

Encashment of Leave as per the rules of the Company.

iv) **Car**

Provision of Company's car for business and personal use.

v) **Telephone**

Provision of telephone at residence.

**(5) Entertainment Expenses**

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

**Minimum Remuneration**

The remuneration aforesaid shall be the minimum remuneration payable to Thiru V. Ramani.

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

“RESOLVED THAT pursuant to Clause 5.1 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby given for Delisting (Voluntary) of the equity shares of the Company from Madras Stock Exchange Limited and Bombay Stock Exchange Limited, while continuing the listing with National Stock Exchange of India Ltd.”

By order of the Board  
for TAMILNADU PETROPRODUCTS LIMITED

26th July 2007  
Chennai 600 068

M.B. GANESH  
Secretary

**Notes :**

- A. Special Notice under Section 190 of the Companies Act, 1956.

M/s. A.F. Ferguson & Co. (AFF), Chartered Accountants, the retiring Auditors are now part of M/s. Deloitte Haskins & Sells (DHS). They wish to carry out the statutory audit of the Company in the name of DHS. Therefore, AFF have informed the Company that they do not propose to offer themselves for re-appointment as Statutory Auditors of the Company at the 22<sup>nd</sup> Annual General Meeting of the Company. DHS have expressed their consent for the appointment as Statutory Auditors for the financial year 2007-08 and have confirmed that the appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

The Company has received a Special Notice from a Member proposing the appointment of DHS, as Statutory Auditors in the place of the retiring Auditors, under Section 225(1) of the Companies Act, 1956. The remuneration payable shall be as decided by the Board of Directors. Accordingly the resolution set against Item No. 6 of the Notice has been moved.

- B. 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 12<sup>th</sup> September 2007 to 28<sup>th</sup> September 2007 (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. Claims on unclaimed dividend, if any, for the financial years 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 shall be made to the Company or Share Transfer Agents.
6. Members / Proxies should bring the Attendance slip duly filled in for attending the Meeting.
7. 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.
8. 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 2007-08 have been paid in time.
9. *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.*

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

**Item No.7**

Thiru Sunil Paliwal, IAS, was co-opted as Additional Director representing Tamilnadu Industrial Development Corporation Limited (TIDCO) with effect from 23<sup>rd</sup> April 2007. As per Section 260 of the Companies Act, 1956 (the Act), he shall hold office upto the date of the Twenty Second Annual General Meeting. The Company has received Notice from TIDCO under Section 257 of the Act, proposing Thiru Sunil Paliwal for appointment as Director who shall be liable for retirement by rotation along with a deposit of Rs.500/-. Hence the proposed resolution.

**Memorandum of Interest**

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

**Item Nos. 8 & 9**

The Board of Directors at their Meeting held on 31<sup>st</sup> January 2007 re-appointed Tvl. RM Muthukaruppan as Whole-time Managing Director & Chief Operating Officer and V.Ramani as Whole-time Director & Chief Financial Officer for a period of 3 years from 4<sup>th</sup> February 2007 to 3<sup>rd</sup> February 2010 and authorised the Remuneration Committee to fix the remuneration subject to approval of shareholders. Subsequently the Remuneration Committee at their Meeting held on 31<sup>st</sup> Jan'07 having regard to the various requirements stipulated in Schedule XIII have fixed the remuneration payable to Tvl. RM Muthukaruppan and V Ramani as detailed in the Resolution Nos. 8 and 9 subject to approval of the shareholders.

Hence, the proposed special resolutions seeking approval of shareholders.



In this regard, as required under Part II, Section II of Schedule XIII to the Companies Act, 1956 the following information is furnished :

#### I. GENERAL INFORMATION

Nature of Industry : Chemical and Petrochemical (Manufacture and Sale of Linear Alkyl Benzene, Epichlorohydrin and Caustic Soda).

Date of commencement of commercial Production :

Linear Alkyl Benzene - April 1988

Epichlorohydrin - March 1995

Caustic Soda - The Chlor Alkali plant owned by SPIC was taken over by the Company during Sept'2000

Financial Performance

The following are the results of the Company during the last five years, at a glance:

(Rs.in lacs)

Financial parameters	2002-03	2003-04	2004-05	2005-06	2006-07
Turnover	73614.28	75410.20	83033.57	92316.17	94538.90
Net Profit (As per P&L Account)	2303	2221	1182	204	(1106)
Amount of Dividend paid	1124.64	1124.64	899.71	899.71	-
Rate of dividend declared in %	12.5	12.5	10	10	-

Export performance, net foreign exchange earnings and collaborations:

During 2006-07, the Company's foreign exchange earnings on account of exports on FOB basis was Rs.6076.59 lacs and expenditure in foreign currency is Rs.5911.03 lacs inclusive of CIF value of imports.

#### II. INFORMATION ABOUT THE APPOINTEES:

Background details, recognition/awards:

Thiru RM Muthukaruppan is a Chemical Engineer with vast experience in Refining and Petrochemical Industries. Held various positions handling process, production, technical services, project development, market development, implementation and commissioning of various Refinery units, LAB and ECH plants.

Thiru V. Ramani, is an Associate Member of the Institute of Chartered Accountants of India with varied experience in Chemical and Petrochemical Industries over 3 decades handling Finance function including finance related areas in production, trading and resource management together with Accounts function. He has experience in debt re-structuring, dealing with bankers and financial institutions besides participation in business re-structuring and Mergers & acquisitions.

Past remuneration

Thiru RM Muthukaruppan

Period	Salary (in Rs.)	Commission (in Rs.)	Perquisites (in Rs.)	Retirement Benefits (in Rs.)	Total (in Rs.)
4.2.2003 -31.3.2004	65410	—	103626	17988	187024
1.4.2004 -31.3.2005	978000	480000	319989	170500	1948489
1.4.2005 -31.3.2006	720000	720000	609122	240115	2289237

Thiru V Ramani

Period	Salary (in Rs.)	Commission (in Rs.)	Perquisites (in Rs.)	Retirement Benefits (in Rs.)	Total (in Rs.)
4.2.2003 -31.3.2004	76000	—	60800	24746	161546
1.4.2004 -31.3.2005	996362	—	114900	155076	1266338
1.4.2005 -31.3.2006	660000	660000	605131	213229	2138360

Job profile and suitability

Thiru RM. Muthukaruppan as Managing Director & Chief Operating Officer is responsible for the overall management of the affairs of the Company subject to superintendence and guidance of the Board of Directors. With the requisite knowledge and experience as detailed in the background and considering the talents and skills acquired in the course of his career development both in India and Overseas, it is considered that the appointee is suitable for the assignment.

Thiru V. Ramani as Director & Chief Financial Officer is responsible for finance related areas in production, trading and resource management together with Accounts function. He is responsible for mobilization of funds, debt re-structuring and prudent utilization of funds at least cost. With the requisite knowledge and experience as detailed in the background

both in India and Overseas and considering the talents and skills acquired in the course of his career development in handling corporate finance, it is considered that the appointee is suitable for the assignment.

Remuneration proposed to the Appointees

Details of remuneration payable to Tvl. RM Muthukaruppan, Managing Director & Chief Operating Officer and V Ramani, Director & Chief Financial Officer are furnished in the resolutions under Item Nos. 8 and 9 respectively of the Notice.

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)

Taking into consideration (a) the size of the organization (b) level of operation of three business units (c) the invaluable experience by the incumbents (d) adverse business scenario faced by the Company in view of ever increasing oil prices and tight market situation (e) efforts required to be put in by the incumbents to bring back the Company to be profit making and (f) industrial norms on remuneration package to Whole-time Directors in Chemical and Petrochemical Industries, it is considered that the remuneration package is very reasonable.

Pecuniary relationship, directly or indirectly with the Company / relationship with Managerial personnel, if any

Tvl. RM Muthukaruppan and V Ramani have no pecuniary relationship with the Company, directly or indirectly (except to the extent of the remuneration received / receivable by them from the Company and their respective holding in the Company's equity share capital).

### III. OTHER INFORMATION

Reasons of loss or inadequate profits, Steps taken or proposed to be taken for improvement, Expected increase in productivity and profits in measurable terms.

Out of the three units under operation viz., LAB, ECH and Chlor Alkali, LAB is presently incurring losses, while other two units are profitable. The margins in LAB business has reduced in view of high cost of raw materials which are derivatives of oil products. Oil prices have been successively on the rise during the last couple of years which has greatly affected the cost of production resulting in reduced margins. Further the entry of new LAB manufacturers in India and abroad is adding up to the woes. The Company has taken several measures to reduce the cost of production and other operational expenses to minimize the loss. Increase in the interest cost on borrowings is also an additional burden.

The Company is continuously taking efforts to maintain the plant efficiency at the highest level, reduce expenditures, insulate against the increase in price of raw materials through hedging, carry out market development activities to improve the sales, to disinvest non-core assets/investments and utilize the funds to reduce the interest burden by repaying the existing term loans. Action as proposed is expected to fetch good results in the years to come.

Memorandum of Interest

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

The Company's equity shares are presently listed in Madras Stock Exchange Ltd. (MSE), Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange of India Ltd. (NSE). As per clause 5.1 of the "Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, a Company is permitted to voluntarily delist the equity shares subject to the following conditions viz. (a) the securities of the Company have been listed for a minimum period of 3 years on any stock exchange (b) an exit opportunity has been given to the investors (c) obtained approval of shareholders by way of special resolution. The guidelines further provide that an exit opportunity in (b) above is not required in cases where the securities continue to be listed in a stock exchange having nation wide terminals (namely NSE & BSE).

The listing activity of the Company's equity shares is insignificant or nil in MSE for the past few years. As we are retaining the listing with NSE having nation wide terminal, it may not be necessary to continue the listing with BSE. Hence, it is proposed to seek delisting (voluntary) of the equity shares from MSE and BSE. The voluntary delisting will not affect the liquidity since the trading could be done through NSE with whom the listing would continue. The Company's equity shares have been listed since 1987. Hence, the Company is entitled for voluntary delisting subject to approval of shareholders. Hence the proposed resolution seeking approval of the shareholders.

Memorandum of Interest

None of the Directors is interested in the resolution.

26th July 2007  
Chennai 600 068

By order of the Board  
for TAMILNADU PETROPRODUCTS LIMITED  
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 22<sup>nd</sup> AGM.**

**Item No. 2 of the Notice**

Name : Thiru Dhananjay N Mungale      Age : 53 Years      Qualification : B.Com., A.C.A., L.L.B

Expertise: A Chartered Accountant with legal qualification having wide experience in International Finance, Capital Markets and Merchant Banking. Held senior positions in Bank of America, London and DSP Merrill Lynch, Mumbai.

No. of shares held : Nil

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Companies / Firms	Position held
1	Camlin Limited	Director
2	Caprihans India Limited	Director
3	Chowgule Steamships Limited	Director
4	Indoco Remedies Limited	Director
5	Indo Count Industries Limited	Director
6	Mahindra & Mahindra Financial Services Ltd	Director
7	Sical Logistics Limited	Director
8	Inestor Advisores Pvt. Ltd.	Director
9	Mentor Technologies Pvt. Ltd.	Director
10	LIC Housing Finance Limited	Director
11	I2IT Private Limited	Director
12	Snowcem Paints Pvt. Ltd	Director
13	J P Morgan Asset Management India Pvt. Ltd	Director
14	National Organic Chemical Ltd	Director

**COMMITTEE MEMBERSHIPS :**

S.No.	Name of the Company	Name of Committee	Nature of Interest
1	Tamilnadu Petroproducts Limited	Audit Committee Remuneration Committee	Member Member
2	Camlin Limited	Audit Committee	Chairman
3	Indoco Remedies Limited	Audit Committee	Chairman
4	Sical Logistics Limited	Audit Committee	Chairman
5	Chowgule Steamships Limited	Audit Committee	Chairman
6	Mahindra & Mahindra Financial Services Limited	Audit Committee	Member
7	Indo Count Industries Limited (IDBI Nominee)	Audit Committee	Member
8	LIC Housing Finance Limited	Audit Committee	Member

**Item No. 3 of the Notice**

Name : Thiru N R Krishnan      Age : 69 Years      Qualification : B.Sc(Hons.) and M.Sc. degrees in Chemistry from the University of Delhi. Retired Member of the Indian Administrative Service.

Expertise : He was the Secretary to the Government of India, in the Ministry of Fertilizers and Chemicals and also in the Ministry of Environment and Forests. He has been a Director on the Boards of several Companies.

No. of shares held : Nil

**OTHER DIRECTORSHIPS:**

S.No.	Name of the Companies / Firms	Position held
1	Southern Petrochemical Industries Corpn Ltd	Director
2	Tamilnadu Road Development Company	Director
3	SPIC Petrochemicals Ltd.	Director
4	Cognizant Foundation (Sec 25 Co.)	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Name of Committee	Nature of Interest
1	Tamilnadu Petroproducts Limited	Audit Committee Remuneration Committee	Member Member
2	Southern Petrochemical Industries Corporation Limited	Audit Committee Shareholders' Grievance Committee Remuneration Committee	Member Chairman Member
3	Tamilnadu Road Development Co.	Audit Committee	Member

**Item No. 4 of the Notice**

Name: Thiru Ashwin C Muthiah      Age: 41 Years      Qualification: B.Com., M.B.A.  
 Expertise: Industrialist  
 No. of shares held : Nil

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Companies / Firms	Position held
1	Sical Yamatake Limited	Chairman
2	SPIC Jel Engineering Construction Ltd.	Chairman
3	SDB Cisco India Limited	Chairman
4	SICAL Distriparks Limited	Chairman
5	SICAL Iron Ore Terminals Limited	Chairman
6	PSA Sical Terminals Limited.	Vice Chairman
7	Southern Petrochemical Industries Corpn.Ltd	Vice Chairman
8	Technip India Limited	Vice Chairman
9	Sical Logistics Limited [Formerly : South India Corporation (Agencies) Ltd ]	Deputy Chairman
10	ACM Educational Foundation (Sec.25 Co.)	Director
11	ACM Medical Foundation (Sec.25 Co.)	Director
12	Indo-Jordan Chemicals Company Ltd.	Director
13	MAC Spin Foundation, (Sec.25 Co.)	Director
14	Mitsuba Sical India Ltd.	Director
15	Totalcomm Infra Services Private Limited	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Committee Type	Position held
1	Southern Petrochemical Industries Corporation Limited	Management Committee Remuneration Committee Finance Committee	Chairman Member Member
2	Sical Logistics Limited	Investment & Capex Committee Operations Oversight Committee Audit Committee	Chairman Chairman Member
3	Tamilnadu Petroproducts Limited	Share Transfer & Shareholders' / Investor Grievance Redressal Committee	Member



**Item No. 5 and 9 of the Notice**

Name : Thiru V. Ramani Age : 55 Years Qualification : B.A., A.C.A

Expertise: Thiru V. Ramani, is an Associate Member of the Institute of Chartered Accountants of India with varied experience in Chemical and Petrochemical Industries over 3 decades handling Finance function including finance related areas in production, trading and resource management together with Accounts function. He has experience in debt re-structuring, dealing with bankers and financial institutions besides participation in business re-structuring and Mergers & acquisitions.

No. of shares held : 100

**OTHER DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS : NIL**

**Item No. 7 of the Notice**

Name : Thiru Sunil Paliwal, IAS Age : 38 Years Qualification : B.Tech, MS

Expertise : Joined the IAS in 1993. Has held several positions in the State Government. Executive Director, Tamilnadu Industrial Development Corpn.Ltd., (since Feb'07)

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Companies / Firms	Position held
1	Tamilnadu Industrial Development Corpn. Ltd	Executive Director
2	Lactochem Limited	Chairman
3	Mepco Industries Ltd	Chairman
4	TIDEL Park Ltd	Director
5	TICEL Bio Park Ltd	Director
6	Tanfac Industries Ltd	Director
7	Ennore SEC Company Ltd	Director
8	Titan Industries Ltd	Director
9	Titan Holdings Ltd	Director
10	Tanishq India Ltd	Director
11	Titan Mechatronics Ltd	Director
12	Tamilnadu Trade Promotion Organisation (Sec 25 Company)	Director

**COMMITTEE MEMBERSHIPS : NIL**

**Item No. 8 of the Notice**

Name : Thiru RM Muthukaruppan Age : 54 Years Qualification : B.E (Chemical)

Expertise : Thiru RM Muthukaruppan is a Chemical Engineer with vast experience in Refining and Petrochemical Industries. Held various positions handling process, production, technical services, project development, market development, implementation and commissioning of various Refinery units, LAB and ECH plants.

No. of Shares held : 200

**OTHER DIRECTORSHIPS :**

S.No.	Name of the Companies / Firms	Position held
1	Gulf Petroproduct Company E.C.	Director
2	Henkel India Limited	Director

**COMMITTEE MEMBERSHIPS:**

S.No.	Name of the Company	Committee Type	Position held
1	Tamilnadu Petroproducts Limited	Share Transfer & Shareholders / Investors Grievance Committee	Member
2	Henkel India Limited	Share Transfer & Investor Grievance Redressal Committee	Member

## DIRECTORS' REPORT

To

### The Shareholders

Your Directors have pleasure in presenting their Twenty Second Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2007.

### FINANCIAL RESULTS

	(Rupees in Crores)	
	2006-07	2005-06
Profit before Depreciation and Interest	42.58	61.62
Interest	24.74	21.88
Profit after Interest	17.84	39.74
Depreciation	33.11	38.68
Profit/(Loss) before Tax and Exceptional Items	(15.27)	1.06
Exceptional Items	-	0.40
Profit/(Loss) before Tax	(15.27)	1.46
Provision for Tax	(4.21)	(0.58)
Profit/(Loss) after Tax	(11.06)	2.04
Balance carried to Balance Sheet	70.88	81.94

### OPERATIONAL HIGHLIGHTS

During the year, Linear Alkyl Benzene (LAB) plant was run at 90% capacity utilization matching with expected sales in order to minimise inventory accumulation. The Epichlorohydrin (ECH) plant and Chlor Alkali Plant achieved capacity utilisation of 97% and 105% respectively.

In LAB business, margins continued to be under pressure due to excess domestic production, continued buoyancy in oil price and reduction in import duty of LAB from 12.5% to 7.5%. Export of LAB was continued to have our presence in international market. Continued political disturbances in oil producing countries and the widening gap in demand and supply kept the oil prices at higher levels, leading to the increase in Power & Fuel Costs.

As a cost management measure, your Company has entered into a pact with M/s. Shell Global for hedging to counter the risks involved in key Raw material procurement on account of volatile oil prices. As an energy conservation measure, your Company has embarked on upgrading the Advanced Process Control System in the LAB Plant aimed at reduction in energy costs through process optimisation.

Your Company continues to enjoy the status of being the sole supplier of LAB to M/s. Procter & Gamble, India and M/s. Henkel India Ltd.

Sale of ECH matched the production quantity. ECH was sold mainly in domestic market though a small quantity of 48 MTs was exported to Middle East. The market has seen increased demand due to the product's versatility in usage and the price was buoyant throughout the financial year. To reduce water costs associated with water consumption, your Company has embarked upon a water conservation activity by re-using waste water from a neighbouring company in Manali belt, sourced free of cost.

During the year under review the quantity of Caustic Soda sold was higher than the previous year. The market has been almost stable during the year due to additional demand. There was no supply to NALCO, a major customer of Caustic Soda from December 2006 and yet the gap has been supplemented by the increase in sale of flakes to other customers. The captive consumption of chlorine has added strength to the business of caustic lye production. Effective energy monitoring coupled with a study to evolve steps for reduction of electrical energy have been planned to be taken up during 2007-08.

### FINANCE

During the year, your Company had not availed any major loans from Institutions/Banks. Consequent to the increase in input cost, your Company had to utilize the sanctioned Working Capital limits in full. Due to macro-economic factors, there have been continuous changes in the interest regime and hence the interest cost has increased from Rs.21.88 crores to Rs.24.74 crores during the year 2006-07. The interest cost would have gone up further had the company not taken up the debt swap exercise in the previous years.

### EXPANSION / PROJECT ACTIVITIES

Your Company had completed expansion of LAB capacity to 1,20,000 MT per annum during April 2007.

### DIVIDEND

For the year under review, the Company has posted a lower EBIDTA of Rs. 4257.95 lakhs. During the year 2005-06, the Board of Directors, with a view to declare dividend and service the shareholders, decided to draw from the open-ended balance in Profit & Loss Account. However for the current year, considering the lower earnings, the Board of Directors express their inability to consider payment of dividend, as drawing from the Reserves is considered not prudent.



## **SAFETY, HEALTH & ENVIRONMENT**

Your Company has won Safety Awards for Lowest Weighted Frequency Rate in Accident from the Factory Inspectorate, Government of Tamilnadu for the years 2003 and 2004. The LAB, ECH and Chlor Alkali plants have achieved 3901, 4380 and 3833 safe days of operation respectively as on 31st March 2007. The health of employees and the environment in and around the plant area have been given due care and attention.

## **RESEARCH & DEVELOPMENT**

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

## **SUBSIDIARIES**

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

SEPC has necessary approvals in place for implementation of the Power Project. Your Company along with SEPC is in discussion with a domestic investor who is willing to contribute upto 74% of the Equity. The domestic investor is very keen to infuse the required funds and implement the project on a fast track basis. SEPC has also written to Tuticorin Port Trust to restore the original land expressing its willingness to pay the overdue lease rentals without arrears.

### **Leo Utility and Power Ltd. (LUPL)**

The Board of Directors of LUPL decided to wind up the Company during April 2006, as progress could not be achieved to go ahead with the business objectives. Necessary application as per the provisions of the Companies Act, 1956 was filed with Registrar of Companies, Chennai during May 2006.

A provision has already been made in the accounts of your Company to the extent of Rs. 4.75 lacs, being the investment in equity for this project.

### **Certus Investment and Trading Ltd. (CITL) and its Wholly Owned Subsidiaries (WoS)**

#### **(A) SINGAPORE N-PARAFFIN PROJECT**

The Normal Paraffin (NP) plant is proposed as a green field project with a Capacity of 100,000 Metric tonnes per annum (MTPA), along with the associated utilities and off-sites. The total Project Cost is estimated at around 110 Million USD to be financed on a Debt Equity

ratio of 70:30. CITL has signed Joint Venture Terms with Development Enterprises Holding (DEH), a wholly owned subsidiary of Kuwait Finance House for 44% of the equity requirements of the project.

The Project Company, TPL India Singapore Private Limited, a WoS of CITL, Mauritius, is in discussion with Economic Development Board, Singapore for Preference Share tie-up for the Project. The debt portion will be largely financed by Project Finance for which Ernst & Young have been appointed as Financial Advisor.

A Memorandum of Understanding (MOU) has already been entered into with the shareholders of Singapore Refining Co. (SRC), for supply of feedstock for the proposed Project and for taking back the return streams. Discussions are on for entering into a formal feedstock supply agreement with the Shareholders of SRC. The Plant will be located adjacent to SRC at Jurong Island in Singapore. An in-principle clearance from National Environment Agency (NEA) of Singapore has also been obtained for setting up the proposed project.

Technip India Limited has completed the Capital Cost estimates. M/s Colin A. Houston Associates (CAHA), USA, has completed the Market Study work. Universal Oil Products (UOP), USA has been chosen as the Licensor and discussions have already been initiated with UOP in this regard. Financial closure is targeted for July'07. Engineering activities are scheduled to start by August'07 and the commercial operation is expected to commence by third quarter of 2009.

#### **(B) MIDDLE EAST LAB PROJECT:**

The project is to establish 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 during the 3rd Quarter of 2009.

M/s. Shell's GTL (Gas to Liquid) plant in Qatar is expected to commence its commercial production during the year 2009. CITL's JV Company, Gulf Petroproducts Co. (GPC), Bahrain, is negotiating with M/s Shell for long term supply of Normal Paraffin from their proposed GTL plant in Qatar.

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

In terms of the exemption granted to your Company by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies that are required to be attached to the Balance Sheet of your Company have not been attached. The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the Shareholders and the subsidiary company investors who seek such information. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor in the Registered Office and that of the subsidiary company concerned.

#### **STATUS OF ACTIVE INVESTMENTS**

##### **Henkel India Limited (HIL)**

Henkel India Limited (HIL) achieved a turnover of Rs.357 crores for the year ended 31st December 2006 compared to Rs. 304 crores in the previous year. HIL posted a Net Profit of Rs. 9.78 crores (audited) as against Net Profit of Rs. 7.23 crores in the previous year and achieved a cash profit of Rs. 11.78 crores. Rural demand and the increasing presence of large format retail stores in urban markets spurred the sales to a large extent. The laundry and homecare segment posted growth between 12 to 15%. Henko and Mr. White, the main Laundry Care has done well. Pril Dish wash liquid maintained its leadership position by achieving 72% value market share. Margo launched a new variant to attract young consumers and strong media support is planned to be provided during 2007 for this brand. This was the first full year after the launch of retail Hair-coloration brands, Silkience and Palette and the brands have shown modest growth.

The Schwarzkopf Professional Hair-Care division registered a growth of 49% over the previous year, with the brand 'Igora Royal' being received very well by the market. The overall outlook for 2007 is extremely robust and the plan is to strengthen the brands across all accounts during the year.

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

During the year 2006-07, PAPL produced 11,901 MT Basic Liquid Resin, 9022 MT Basic Solid Resin and 2421 MT of formulated product aggregating 23,344 MT representing a capacity utilisation of about 63.1%, which is marginally lower than that of 64% during last year. Total sales increased marginally to Rs 216.10 crores compared to last year's Rs. 211.76 crores. To meet the domestic demand, exports were reduced from 4024 MTs to 3036 MTs. The profit for the 12 months' period upto 31st March 2007 (unaudited) is Rs.14.17 crores and the accumulated loss as on the above date is Rs.0.90 crores. All the leading Global Epoxy players are very active in the domestic market and the competition is very high which is affecting PAPL's sales and margin.

#### **FIXED DEPOSITS**

The total amount of deposits outstanding as on 31st March 2007 was Rs. 0.20 lakhs, which represents unclaimed deposits only.

#### **EMPLOYEES**

In order to keep pace with the rapidly changing business scenario, the Company's Human Resources Management Systems and Processes are looked at to redesign to create a responsive, market focussed, customer-centric culture that enhances organizational vitality. A powerful strategy of energizing and empowering Human Resources, by building and nurturing a system of distributed leadership within the organization is also evolved. The Industrial Relations during the year were harmonious.

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

#### **DIRECTORS**

Since the date of last Directors' Report, Thiru Sunil Paliwal, IAS, was co-opted as Additional Director of the Company representing TIDCO on 23rd April 2007. The term of Thiru. Sunil Paliwal, IAS shall be upto to the date of Twenty Second Annual General Meeting. Notice in writing has been received from TIDCO proposing his candidature for appointment as Director of the Company.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Tvl. Dhananjay N Mungale, N.R. Krishnan, Ashwin C Muthiah and V. Ramani shall retire by rotation and being eligible offer themselves for re-election.



## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) in preparing the Annual Accounts for the year ended 31st March 2007 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 2007 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 have been attached to form part of the Annual Report.

## **AUDITORS**

M/s. A.F. Ferguson & Co., (AFF), Chartered Accountants, the retiring auditors are now part of M/s. Deloitte Haskins & Sells (DHS). They wish to carry out the statutory audit of the Company in the name of DHS. Therefore, AFF have informed the Company that they do not propose to offer themselves for re-appointment as Statutory Auditors of the Company at the 22nd Annual General Meeting of the Company. DHS have expressed their consent for the appointment as Statutory Auditors for the financial year 2007-08 and have confirmed that the appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956. It has been decided that DHS would be appointed as the Statutory Auditors of the Company.

The Company has received a special Notice from a Member proposing the appointment of DHS as Statutory Auditors in the place of the retiring auditor, under Section 225 (1) of the Companies Act, 1956. The remuneration payable shall be as decided by the Board of Directors.

With reference to the comment contained in the Auditors' Report pertaining to SPIC Electric Power Corporation (Private) Ltd., (SEPC), the Board of Directors wish to state that the Company is in the process of entering into a Memorandum of Understanding with a prospective investor for implementation of the project. In view of this development, no provision in the value of investment and advance against equity is considered necessary at this stage as explained in Note 23 of Notes to the Accounts..

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

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956, are 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 institutions, insurance companies, promoters, technology suppliers, raw material suppliers, joint venture partners, statutory auditors, contractors, marketing agents and vendors for the continued support and co-operation.

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

For and on behalf of the Board of Directors

10th May 2007  
Chennai – 600 068.

SHAKTIKANTA DAS  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE

Tamilnadu Petroproducts Limited (TPL) is engaged 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 main ingredient in the formulation of synthetic detergents. Revolution in the retail market segments has led to creation of vast shelf space for fast moving consumer goods segment with the result, many new brands have come up in the detergent segment. This aided by reduced import of alternative surfactants like Alpha Olefin Sulphonate shall result in more consumption of LAB in the domestic segment. The industry is also witnessing severe competition by way of imports from the recently commissioned units in Middle East. These units have a competitive edge due to lower energy and feedstock costs. Further, the customs duty reduction on LAB imports in the recent Union budget is also an added advantage to these units.

Despite these adverse factors, the Company maintained a near to normal supplies of LAB, due to robust growth rate in consumption and dynamic customer support adopted by the Company. In order to mitigate the situation, we have commenced sourcing our energy inputs on international terms in bulk supply as well as sourcing N-Paraffin and Benzene on term offers. We have also taken up with Government of India to address the inverted duty anomaly on Normal Paraffin.

### EPICHLOROHYDRIN (ECH)

TPL continues to be the sole manufacturer of ECH in India. A variety of application of Epichlorohydrin (ECH) in Epoxy resins, Pesticides and Pharmaceutical makes it a multi-facet product. During the year, the plant achieved, a capacity utilization of 97%. M/s. PAPT, the joint venture company of TPL is continuing its off-take of ECH for its requirements.

The buoyant economy with focused attention to corrosion in industries and the growth in infrastructure sector has increased the demand for ECH consumption. The gap in supply to meet the domestic market is filled through imports from Europe, Russia and also from China recently. The domestic market throughout the year was active, as the international prices had stabilized at high level. However, the hardening of raw material prices i.e., Propylene and Fuel oil prices had considerably reduced the margins.

### CHLOR ALKALI

TPL continued its supplies of Caustic Soda, Chlorine to a wide variety of industries viz., Paper, Pharmaceuticals, Chemical, Petrochemicals and Refinery both in and around Manali and other destinations. Caustic Soda, a key economic driver finds extensive use in many industries. The demand from basic metal industries is increasing. The Company is continuing its supply of chlorine, a co-product to bulk customers in the neighborhood. This chlorine tie-up gives strength to this division to enable optimize on caustic soda production. The market situation is encouraging with stabilized rates for the finished product. Fuel Oil, used in the manufacture of Captive power however continues to erode the margins on and off due to price volatility. The salt prices were marginally higher despite its availability.

### THREATS AND OPPORTUNITIES

#### Linear Alkyl Benzene

Oversupply situation in LAB domestic market is a potential threat affecting company's realizations. This is expected to continue for the next 3-4 years despite a robust LAB growth rate forecast of 4-5% per annum. TPL's major competitors for LAB in the Indian market have greater control over raw materials and are better integrated. They also have diversified product lines, which balances the portfolio of products and profits. Volatile oil prices and cheaper imports from Middle East, facilitated by reduced import duty also pose a serious threat. Consumers of LAB have grown substantially over the years and the resistance to accept cost-push increases are evident.

However there are opportunities available for reducing operating costs to remain competitive. As everyone is aware, energy costs in India are higher than other countries. Even across India, energy costs cannot be bench marked as every state electricity undertaking charge different rates. In order to reduce the energy cost and to compete globally, the company is actively considering a proposal for installing a coal-based power plant. Customer retention and customer satisfaction are given prime importance in our marketing activities, which has given us the status of a preferred supplier.

India is one of the biggest consumers of LAB in the world with promising growth outlook. Liberalization of economy, robust GDP growth, rise in disposable personal income levels and purchasing power has led to revolution in the field of shopping experience. With hygiene and personal health care segments being given importance, the Indian per capita detergent consumption is soon expected to move or reach that of developed countries.





### **Epichlorohydrin**

Free trade Agreements with ASEAN countries have facilitated import of Epichlorohydrin (ECH) as well as Epoxy Resins at almost negligible import duties. While the process of ECH manufacture by TPL is based on propylene and chlorine as raw materials, a new process based on Glycerine, a by-product of the Bio-Diesel / Detergent Alcohols Industry, has been developed by a Process licensor in Europe. This new process stated to be cost-effective compared to the conventional Propylene route, coupled with higher economic scale of manufacture will further entice imports at reduced cost.

The above said factors are expected to pose a threat which could affect company's realization in the future. However, with infrastructure projects getting a fillip in India, application of ECH is bound to grow multi-fold & this coupled with a long term supply contract with PAPL, the company is confident of continuing its higher volumes of production and sales in the coming years.

### **Caustic Soda**

The replacement of chlorine in some industries, necessitated due to environmental factors, could pose a limitation to Caustic manufacture and affect the performance of this division. The buoyant economy, expansion proposals in metal industries is an opportunity for TPL. The company by virtue of its over design capacity available with most equipments, has a definite advantage of carrying out de-bottlenecking at a comparatively lesser cost to meet the growing requirements of Caustic soda. Further captive consumption of Chlorine and potential consumption needs of group companies is a definite advantage compared to other manufacturers.

### **RISKS & CONCERNS**

#### **Linear Alkyl Benzene**

Oil prices have been volatile with no signs of stabilizing at a particular level. This is a matter of serious concern for long term pricing of LAB, as LAB producers are unable to pass on the increase due to raw-material prices to the Detergent manufactures, in view of stiff competition in LAB domestic market. Also continued customs duty reduction in every Budget only emphasizes the need for further cost reduction. As the Company had already peaked its plant efficiency any further increase has to be done with caution.

#### **Epichlorohydrin**

It is not out of place, to indicate that already the customs duty for Epichlorohydrin (ECH) is at a very minimal level as compared to its raw materials, which are at relatively higher levels. Also considerable amount of Epoxy Resin is coming into India from the FTA countries, thus causing concern for ECH domestic sales. The variations in customs duty structure for import of ECH for Resins and Pharma sector also pose a risk of reduced off-take.

Increasing trend in global prices of Propylene, the key raw material for ECH, and sustained high price of fuel oil is another cause of concern. The new technology for production of ECH from Glycerin is a matter of concern and business risk, which is expected to make imports economical and attractive to the customers as compared to the cost and pricing of TPL.

### **Caustic Soda**

The demand for caustic soda is always cyclical. The success of this industry specifically lies in business cycle of end use industries. The imports on regular basis by large volume consumers will trigger price war in domestic market which is a matter of concern. Increasing energy cost is continuing to be a major concern for TPL. This division, being a power intensive one, any further increases in Power and Fuel costs can further affect the competitiveness.

### **OUTLOOK**

Domestic market segment of LAB is expected to grow at around 4 to 5% per annum. In line with the expected demand growth and to leverage on the economics of scale of operation, the company had completed expansion of LAB capacity to 1,20,000 MTs per annum during April 2007. With the recent commissioning of LAB plants in Middle East, LAB supply is in surplus for the time being. With steady growth taking place in developing economies globally, and with no new plant being planned, the surplus capacity is expected to be absorbed in the next 3 to 4 years. The proposed Normal Paraffin plant of TPL in Singapore, when commissioned, will provide a definite edge for the company on the feed stock front.

ECH demand is expected to witness a positive growth in line with the growing economy. While the growth rate is expected to be positive, the margins are likely to fall due to Inverted duty structure, Unique raw material pricing scenario, FTA agreements, and higher economic scales of production using alternate technology proposed by global manufacturers. However, the Epoxy demand in the country is bullish, growing at the rate of 15% to 20% due to surge in demand for white goods, robust growth in Infrastructure development, Wind Energy and Automobiles sector etc. The company will leverage on these growth areas in the next few years. Epoxy demand is the clear sign of India's GDP growth coupled with MNCs' setting up their shops in India.

The business outlook for Caustic soda is one of steady prices, reduced margins due to increased Fuel costs and with increased demand due to buoyant economy.

The company has proposed to address the impact due to higher energy costs by its plans to set up a Coal based power plant in Manali.

The continued hardening of the interest rates in the money market due to the credit policy of the Reserve Bank has resulted in the Banks/Institutions hiking their benchmark interest rates (Bank Prime Lending Rates) during the current financial year 2006-07. It is expected that the

interest rates will continue to climb upwards in 2007-08 as well. The appreciation of rupee vis a vis dollar will have both positive and negative impact for the operations. The imports in rupee terms will come down partly neutralizing the increase in cost of raw materials on account of hardening prices of crude and other derivatives. Exports are likely to show a downward realization.

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

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

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

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

The number of employees as on 31<sup>st</sup> March 2007 was 586. Having considered the high employee turnover a potential risk factor for the organization's vitality, various risk mitigating measures for employee retention have been adopted. These measures are yielding positive and desired outputs. Negotiations with Employees' Unions of LAB/ECH and HCD Divisions are in progress for Long Term Settlements for revision of Salaries, allowances and benefits.

#### **CAUTIONARY STATEMENT**

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

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#### **Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31<sup>st</sup> March 2007.**

#### **CONSERVATION OF ENERGY**

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

1. Provided variable frequency drive in Pacol Charge heater combustion air fan, in LAB plant, thereby contributing to power savings to the tune of 2,73,000 units of power per annum.
2. Installed variable speed drives in the contact condenser of LAB-Pacol section and achieved power savings of about 1,00,000 units per annum.
3. Off gas recovery from LAB-Pacol process was improved by providing an additional line from the Pacol stripper column. The recovered gas was used in Process heaters as fuel.
4. By providing friction resistance coating for cooling tower pumps in LAB plant, reduced power consumption by about 12,000 units per annum.
5. In LAB - Captive power plant, the booster units were interconnected eliminating the need for running two boosters. Thereby power savings of about 96,000 units per annum was achieved.
6. Installed Variable frequency drive for the feed water pumps of boiler in ECH plant and achieved 30,000 units of power saving.
7. In CAD, optimisation of load sharing between auxiliary transformers resulted in switching off one transformer out of five and made it as stand by. This has resulted in power savings of 2,10,000 units per annum.
8. Automatic Voltage regulating transformer was introduced in the lighting circuit in CAD and power savings of 85,000 units per annum was achieved.



## FORM – A

Form for disclosure of particulars with respect to Conservation of Energy

### A. Power and Fuel Oil Consumption

	Current Year (2006 - 2007)	Previous Year (2005 - 2006)
<b>1. Electricity</b>		
a. Purchased power		
Units (in lakhs)	203.75	119.51
Variable cost (Rs. in lakhs)	719.73	418.70
Total Cost (Rs. In lakhs)	1,274.20	1,017.49
Rate/Unit (Rs.)		
Units Charges (Rs./Unit)*	3.53	3.50
Demand Charges (Rs./KVA)	300.00	300.00
* Variable cost includes peak hour charges		
b. Own Generation		
Through Diesel Generator		
Units**(in lakhs)	1,930.11	2,052.90
Units/Litre of Fuel	3.94	4.02
Rate/Unit (Rs.)	4.44	4.00
** Includes Power exported to grid		
<b>2. Coal (Specify quantity where used)</b>		
Quantity (Tonnes)	-	-
Total cost	-	-
Average Rate	-	-
<b>3. Furnace Oil / LSFO</b>		
Quantity (KL)	98,494.74	1,01,690.65
Total Amount (Rs. In lakhs)	14,723.96	13,643.95
Average Rate (Rs. / KL)	14,948.98	13,417.11
<b>4. Diesel</b>		
Quantity (KL)	42.28	33.17
Total Amount (Rs. In lakhs)	11.73	8.92
Average Rate (Rs. / KL)	27,738.43	26,882.15
<b>5. Windfarm</b>		
Unit Generated (in lakhs)	172.69	172.56
Total Amount (Rs. In lakhs)	133.22	73.65
Rate / Unit (Rs.)	0.77	0.43

### 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)		633.44	1476.98	2641.85	626.57	1317.43	2635.56
Furnance Oil (Mt)		0.470	0.559	0.017	0.502	0.514	0.011
Coal (Specify quality)		-	-	-	-	-	-
Others (Specify)		-	-	-	-	-	-

**FORM – B**

Form for disclosure of particulars with respect to absorption

**RESEARCH & DEVELOPMENT**

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

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

- Improving the quality of LAB with reference to specific characteristics
- Studies on usage of alternate chemicals in Brine purification process.
- Studies related to identification of impurities in process intermediates and their effects on the quality of final product in the ECH production process.
- Improvement in the quality of effluents by biochemical and physical means Studies related to improving the quality of by-products.
- Assessment of levels of active detergent components in the detergent formulations available in the market.

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

- Meeting the growing customer requirement with respect to Quality parameters.
- Helping to improve the process optimisation.
- Improving the environmental performance.
- Helping to understand detergent market conditions.

**3) Future Plan of Action**

- Installing Pilot plant for carrying out sulphonation studies of LAB.
- Continuous up gradation of Product quality based on customer requirements.
- Development of improved environmental friendly processes.

**4) Expenditure on R&D**

(Rs.in lacs)

- Capital —
- Recurring 9.63
- Total 9.63
- Total R & D expenditure as a percentage of total turnover 0.01%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

Improvements developed in in-house R&D as well as from the technology supplier were adopted.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- Foreign Exchange outgo : Rs. 5911.03 lakhs
- Foreign Exchange earnings : Rs. 6076.59 lakhs

**Statement showing the particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended 31<sup>st</sup> March 2007.**

Name Tvl.	Designation and Nature of Duties	Age	Qualification	Experience (Years)	Last Employment and post held	Date of Commencement of employment	Gross Remuneration Rs.
RM. Muthukaruppan*	Managing Director & Chief Operating Officer	54	B.E (Chemical)	31	Senior Engineer Cochin Refineries Ltd.	17-10-1985	26,14,869/-
V. Ramani*	Director & Chief Financial Officer	55	B.A., A.C.A.	31	Executive Director SPIC Ltd.	04-02-2004	23,41,257/-

\* Not a relative of any Director of the Company.

\* The appointment is contractual.



## REPORT ON CORPORATE GOVERNANCE (2006-07)

### 1. Company's philosophy :

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

### 2. Board of Directors :

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

	Name (Tvl.)	Category	No. of Board Meetings attended	Attendance at last AGM	No. of other Director-ships@	Committee Membership*	
						Chairman	Member
1	Shaktikanta Das, IAS	Chairman	2	Yes	9	-	-
2	Dr A.C. Muthiah	Vice-Chairman	4	Yes	9	-	-
3	Ashwin C Muthiah	Director	4	Yes	10	-	2
4	Babu K Verghese	Director	4	Yes	2	-	1
5	S. Ramasundaram, IAS	Director	1	Yes	13	1	4
6	S. Susai	Director	3	No	10	1	5
7	T. S. Surendranath	Director	3	Yes	5	-	3
8	Sunil Paliwal, IAS (Appointed as Director w.e.f. 23rd April'07)	Director	-	NA	11	-	-

#### b. Promoter Executive Directors :

9	RM. Muthukaruppan	Managing Director & Chief Operating Officer	4	Yes	1	-	2
10	V. Ramani	Director & Chief Financial Officer	4	Yes	-	-	-

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

11	C. Ramachandran	Director	4	Yes	6	1	4
12	Dhananjay N. Mungale	Director	4	Yes	9	4	4
13	N.R. Krishnan	Director	4	Yes	3	1	3
14	Dr. K.U. Mada	Director	4	Yes	6	3	5
15	N. Rangachary	Director	3	Yes	2	-	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 : Nil**

- ❖ Number of Board Meetings held : 4
- ❖ Dates on which held : 26<sup>th</sup> September 2006, 26<sup>th</sup> October 2006, 31<sup>st</sup> January 2007 & 10<sup>th</sup> May 2007.

**3. AUDIT COMMITTEE:**

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

**Brief Description and terms of reference:**

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

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

The Board of Directors have constituted an Audit Committee comprising of 5 Directors, including 4 Independent Directors. The Committee held 4 Meetings on 26<sup>th</sup> October 2006, 30<sup>th</sup> January 2007, 19<sup>th</sup> March 2007 and 10<sup>th</sup> May 2007

Name of the Member (Tvl.)	Designation	Number of Meetings attended
C. Ramachandran	Chairman (Independent)	4
S. Susai	Member (representing TIDCO)	4
Dhananjay N Mungale	Member (Independent)	4
N.R. Krishnan	Member (Independent)	4
Dr K.U. Mada	Member (Independent)	4

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

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



**4. (a) Details of Remuneration paid to Whole-time Directors during 2006-07.**

(Rupees)

Name (Tvl.) and Term of Service	Salary	Commission	Perquisites	Retirement Benefits	Total
RM Muthukaruppan 4.2.2004 – 3.2.2007 4.2.2007 – 3.2.2010 (re-appointed)	776786	759854	801440	276789	2614869
V Ramani 4.2.2004 – 3.2.2007 4.2.2007 – 3.2.2010 (re-appointed)	707321	678633	724796	230507	2341257
<b>Total</b>	<b>1484107</b>	<b>1438487</b>	<b>1526236</b>	<b>507296</b>	<b>4956126</b>

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

All the above components are fixed.

**(b) Remuneration to Non Executive Directors (2006-07)**

**Commission**

Due to the absence of profits computed in accordance with Sec. 198 of the Companies Act, 1956, no provision has been made in the accounts towards commission payable to the Non-Whole time Directors for the year 2006-07.

**Sitting Fees paid to Non Executive Directors during 2006 - 07**

Name (Tvl.)	Sitting Fees (Rs )	
	Board Meetings	Committee Meetings
D. Rajendran, IAS	10000*	—
Shaktikanta Das, IAS	30000*	—
Dr. A C Muthiah	40000	—
Ashwin C Muthiah	40000	100000
Babu K Verghese	50000	—
Dhananjay N Mungale	50000	70000
N R Krishnan	50000	70000
Dr K U Mada	50000	50000
C Ramachandran	50000	300000
S Ramasundaram, IAS	10000*	—
N Rangachary	50000	—
T S Surendranath	30000*	—
S Susai	40000*	260000*
<b>Total</b>	<b>5,00,000</b>	<b>8,50,000</b>

\* Paid to TIDCO as they are TIDCO Nominees.

## 5. Remuneration Committee (Non mandatory)

The Board of Directors at their meeting held on 31<sup>st</sup> January 2007 constituted a Remuneration Committee consisting of three Independent Directors viz., Tvl. C.Ramachandran as Chairman, Dhananjay N Mungale and N.R.Krishnan as Members, and authorised to decide the remuneration payable to Tvl. RM. Muthukaruppan, Managing Director & Chief Operating Officer and V. Ramani, Director & Chief Financial Officer on their re-appointment for the period from 4<sup>th</sup> February 2007 to 3<sup>rd</sup> February 2010.

The Remuneration Committee at their meeting held on 31<sup>st</sup> January 2007 approved the terms of remuneration payable to Tvl. RM. Muthukaruppan, Managing Director & Chief Operating Officer and V. Ramani, Director & Chief Financial Officer taking into consideration the financial position of the Company, trend in the industry, qualification, experience, past performance and past remuneration besides the efforts to be put in to improve the performance of the Company.

## 6. Share Transfer & Shareholders / Investors Grievance Committee:

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

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

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

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

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

During the year, 609 letters/complaints received from the shareholders were replied /resolved. As on 31<sup>st</sup> March 2007, 11 valid transfer deeds involving 1625 Equity Shares were under process. All the proposals involving 1625 Equity Shares were subsequently approved during April 2007.

## General Body Meetings:

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

Year	Date	Time	Venue
2003-04 (AGM)	5.8.2004	10.30 AM	Tamil Isai Sangam, Raja Annamalai Hall, Esplanade (Near High Court), Chennai - 600 108.
2004-05 (AGM)	14.9.2005	10.30 AM	- do -
2005-06 (AGM)	26.9.2006	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 22<sup>nd</sup> AGM to be held on 28<sup>th</sup> September 2007.





## 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

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

### Details of equity shares held by Non Executive Directors as on 31<sup>st</sup> March 2007.

Name of the Director (Tvl.)	No. of Equity Shares
Dr A C Muthiah	1001
Babu K Verghese	601
Dr K U Mada	3500

## 8. Means of Communication:

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

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

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

## 9. General Shareholder Information

- Annual General Meeting : 22<sup>nd</sup> Annual General Meeting will be held on 28<sup>th</sup> September 2007 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

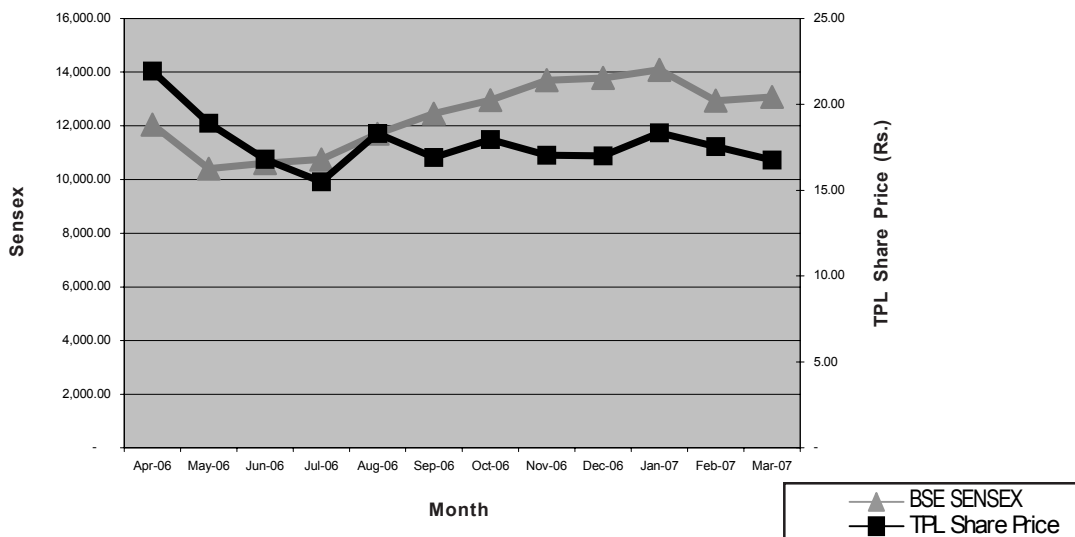
- Annual General Meeting - August / September
  - Unaudited Second Quarter Results (subject to limited review by Auditors) - End October
  - Unaudited third Quarter Results (subject to limited review by Auditors) - End January
  - Date of Book closure : The Register of Members and the Share Transfer Books of the Company will remain closed from 12<sup>th</sup> September 2007 to 28<sup>th</sup> September 2007 (both days inclusive)
  - Listing of Securities on Stock Exchanges : The Equity Shares of the Company are listed in:
    - Madras Stock Exchange Ltd.(MSE)
    - Bombay Stock Exchange Ltd (BSE) &
    - National Stock Exchange of India Ltd.(NSE)
- For Equity shares**
- **Stock Code** : MSE - TNPETPROD  
NSE - TNPETRO  
BSE - 500777

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

Month / Year - 2006-07	BSE		NSE	
	High (in Rs.)	Low (in Rs.)	High (in Rs.)	Low (in Rs.)
April 2006	23.35	20.25	23.80	20.65
May	28.40	15.70	24.50	17.00
June	19.35	14.40	19.45	12.50
July	17.55	14.70	17.90	14.50
August	18.65	15.00	18.70	14.95
September	18.65	16.25	18.55	16.55
October	23.45	16.55	23.45	16.60
November	18.50	16.70	18.50	16.70
December	17.45	16.60	17.55	16.30
January 2007	20.60	16.75	21.70	16.80
February	20.45	16.55	20.90	16.75
March	18.95	15.90	19.35	15.85



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



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

**Share Transfer System:**

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

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

(a) Distribution of Shareholding as of 31<sup>st</sup> March 2007:

Category (No. of shares)	No. of Shareholders	Percentage	No. of Shares	Percentage
Up to 500	90658	88.96	14952301	16.62
501 – 1000	6651	6.53	5449718	6.06
1001 – 2000	2492	2.45	3871179	4.3
2001 – 3000	765	0.75	1979743	2.2
3001 – 4000	309	0.30	1122995	1.25
4001 – 5000	312	0.31	1496733	1.66
5001 – 10000	388	0.38	2910312	3.23
10001 & above	330	0.32	58188493	64.67
<b>TOTAL</b>	<b>101905</b>	<b>100.00</b>	<b>89971474</b>	<b>100.00</b>

(b) Shareholding Pattern as of 31<sup>st</sup> March 2007 :

Category	No. of Equity Shares	% to Paid-up Capital
Promoters :-		
Tamilnadu Industrial Development Corpn. Ltd.	15843751	17.61
Southern Petrochemical Industries Corpn. Ltd.	15234375	16.93
Other Corporate Bodies	8779950	9.76
General Public	38618100	42.92
Non Resident Individuals	3214176	3.57
Foreign Institutional Investors & OCBs	2523495	2.80
Indian Financial Institutions	5646229	6.28
Mutual Funds & Banks	22825	0.03
Shares in Transit [clearing Member account]	88573	0.10
<b>TOTAL</b>	<b>89971474</b>	<b>100.00</b>

Dematerialization of Shares : Over 72.65% of the 89971474 outstanding shares have been dematerialized upto 31st March 2007.

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

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

Plant Location : Manali Express Highway,  
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  
investorgrievance@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

Designate e-mail ID : Investor may register their complaint to the designated e-mail ID viz. investorgrievance@tnpetro.com to the Compliance Officer for redressal.

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

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



## **CERTIFICATE ON COMPLIANCE TO THE 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, I hereby confirm that all Members of the Board of Directors and Senior Management personnel have affirmed compliance with the code of conduct of the Company for the period 1<sup>st</sup> April 2006 to 31<sup>st</sup> March 2007.

RM. MUTHUKARUPPAN  
Managing Director & Chief Operating Officer

Place : Chennai  
Date : 10<sup>th</sup> May 2007

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## **CERTIFICATE**

To

**The Members of Tamilnadu Petroproducts Limited**

We have examined the compliance of conditions of Corporate Governance by Tamilnadu Petroproducts Limited, for the year ended March 31, 2007, 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 Clause 49 of the above mentioned Listing Agreement.

We 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

B. Ramaratnam  
Partner  
Membership No. 21209

Place : Chennai  
Date : 10<sup>th</sup> May 2007

## 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, 2007 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

(v) on the basis of written representations received from the directors, as on 31<sup>st</sup> March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2007 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 23 the company has, during the period 1995-2003, invested Rs.2764.50 lacs in SPIC Electric Power Corporation Private Limited and given advances against equity amounting to Rs.28.72 lacs during the financial years 2006 and 2007, for which no provision 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 and advance against equity*

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

(a) in the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2007;

(b) in the case of the profit and loss account, of the loss for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co  
Chartered Accountants

B.Ramaratnam  
Partner  
Membership No. 21209

Place : Chennai  
Date : 10<sup>th</sup> May 2007



**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, 2007.**

- 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.
- ii) a) Physical verification of inventory has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventories and no material discrepancies have been noticed on physical verification of inventories as compared to the book records.
- iii) The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to information and explanations given to us and having regard to the explanations that some of the items purchased are of special nature for which comparative quotations are not available, there are adequate internal control procedures commensurate with size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. We have neither come across nor have we been informed of any major weaknesses in internal control procedures.
- v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under are applicable.
- vii) In our opinion the company has an internal audit system which is commensurate with its size and nature of business.
- viii) We have broadly reviewed the books of accounts maintained by the company relating to manufacture of Linear Alkyl Benzene and Caustic Soda where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209 (1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or not.
- ix) (a) In our opinion and according to the information and explanations given to us, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, value added tax, sales tax, wealth tax, custom duty, excise duty, and cess and other statutory dues, if any, with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2007 for a period of more than six months from the date they became payable.
- (b) As on 31<sup>st</sup> March 2007, 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.

<b>Name of the statute</b>	<b>Nature of dues</b>	<b>Amount of demand net of deposits (Rs. in Lacs)</b>	<b>Period to which amount relates</b>	<b>Forum where dispute is pending</b>
Sales tax law	Sales tax	1,817.40	1993-94 to 2002-2003	Sales Tax Appellate Tribunal
Sales tax law	Sales tax	6,883.89	1994-95 & 1995-96	Deputy Commissioner (Appeals)
Excise law	Excise Duty	200.93	1994-2002	High Court
Excise law	Excise Duty	311.33	1994-2006	Customs Excise and Service Tax Appellate Tribunal
Excise law	Excise Duty	5.11	2002-2006	Commissioner (Appeals)
Excise law	Excise Duty	11.71	1999-2000	Deputy Commissioner
Service tax law	Service Tax	35.31	1997-2006	Customs Excise and Service Tax Appellate Tribunal
Service tax law	Service Tax	0.05	2005-2006	Commissioner (Appeals)
Income tax law	Income Tax	1,518.13	Assessment Years 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03	Tribunal
Income tax law	Income Tax	56.48	Assessment Year 2003-04	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.
- xiii) The provisions of any special statute applicable to chit fund and nidhi/mutual benefit fund/society are not applicable to the company.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion the term loans availed by the company during the year were, prima facie, applied for the purpose for which they were taken.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have, prima facie, not been used for long term investments.
- xviii) The company has not made any preferential allotment of shares during the year.
- xix) The company has not issued any debentures during the year.
- xx) The company has not raised any money by way of public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed during the year.

For A.F. Ferguson & Co  
Chartered Accountants

B.Ramaratnam  
Partner  
Membership No. 21209

Place : Chennai  
Date : 10<sup>th</sup> May 2007

**BALANCE SHEET**

As at 31st March, 2007

(Rupees in Lacs)

	SCHEDULE	As at 31st March, 2007	As at 31st March, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	28,775.34	30,689.38
		<u>37,772.49</u>	<u>39,686.53</u>
<b>Loan Funds:</b>			
Secured	3	19,626.47	22,901.75
Unsecured	4	1,821.76	1,611.60
		<u>21,448.23</u>	<u>24,513.35</u>
Deferred tax liabilities (net)		8,386.45	8,823.77
<b>TOTAL</b>		<u>67,607.17</u>	<u>73,023.65</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross block	5	120,099.70	120,185.01
Less: Depreciation		80,812.92	77,380.79
		<u>39,286.78</u>	<u>42,804.22</u>
Capital work in progress		8,674.52	7,334.24
		<u>47,961.30</u>	<u>50,138.46</u>
<b>INVESTMENTS</b>	6	17,980.08	17,980.08
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories		9,891.40	10,897.74
Sundry debtors		5,705.82	7,297.67
Cash and bank balances		919.49	1,492.49
Loans and advances		4,419.33	5,292.18
		<u>20,936.04</u>	<u>24,980.08</u>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>	8	18,799.41	18,280.80
Current liabilities		470.84	1,794.17
		<u>19,270.25</u>	<u>20,074.97</u>
<b>Net current assets</b>		<u>1,665.79</u>	<u>4,905.11</u>
<b>TOTAL</b>		<u>67,607.17</u>	<u>73,023.65</u>
Notes to the accounts	12		

As per our report of even date attached

For and on behalf of the Board

For A.F. Ferguson & Co.  
Chartered AccountantsA C MUTHIAH  
S. SUSAI  
C. RAMACHANDRAN  
V. RAMANI  
RM. MUTHUKARUPPANVice Chairman  
Director  
Director  
Director & CFO  
Managing Director & COOM.B. GANESH  
SecretaryPlace : Chennai  
Date : 10<sup>th</sup> May 2007



## PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 2007

(Rupees in Lacs)

	SCHEDULE	Year ended 31st March, 2007	Year ended 31st March, 2006
<b>INCOME</b>			
Sales and services		<b>94,538.90</b>	92,316.17
Less : Excise Duty		<b>11,679.44</b>	<u>11,257.97</u>
Net Sales and services		<b>82,859.46</b>	81,058.20
Other income	9	<b>891.41</b>	776.34
		<b>83,750.87</b>	<u>81,834.54</u>
<b>EXPENDITURE</b>			
Manufacturing and other expenses	10	<b>79,492.92</b>	75,672.71
Interest (Net)	11	<b>2,473.69</b>	2,188.43
Depreciation for the year		<b>4,119.62</b>	5,697.40
Less : credit for amount withdrawn from revaluation reserve		<b>808.08</b>	<u>1,829.25</u>
		<b>3,311.54</b>	3,868.15
		<b>85,278.15</b>	<u>81,729.29</u>
<b>PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>(1,527.28)</b>	105.25
Exceptional items (see Note 24)		-	<u>40.19</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(1,527.28)</b>	145.44
Provision for tax			
- current		-	621.00
- deferred		<b>(437.32)</b>	(719.32)
- fringe benefits		<b>16.00</b>	<u>40.00</u>
		<b>(421.32)</b>	<u>(58.32)</u>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(1,105.96)</b>	203.76
Balance brought forward		<b>8,194.22</b>	9,016.36
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>7,088.26</b>	<u>9,220.12</u>
<b>APPROPRIATIONS</b>			
Proposed dividends		-	899.71
Tax on dividends		-	126.19
Balance carried to balance sheet		<b>7,088.26</b>	8,194.22
		<b>7,088.26</b>	<u>9,220.12</u>
Earnings per share : (after exceptional items)			
Basic and diluted		<b>(1.23)</b>	0.23
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 Accountants

A C MUTHIAH  
S. SUSAI  
C. RAMACHANDRAN  
V. RAMANI  
RM. MUTHUKARUPPAN

Vice Chairman  
Director  
Director  
Director & CFO  
Managing Director & COO

M.B. GANESH  
Secretary

B. Ramaratnam  
Partner

Place : Chennai  
Date : 10<sup>th</sup> May 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

(Rupees in Lacs)

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
<b>A. Cash Flow from Operating Activities:</b>		
<b>Profit/(Loss) before tax</b>	<b>(1,527.28)</b>	145.44
Adjustment for		
Depreciation	<b>3,311.54</b>	3,868.15
(Profit) / Loss on sale / scrapping of fixed assets (net)	<b>(120.81)</b>	0.32
Loss on sale of investments (net)	-	87.04
Provision for dimunition in value of investments (net)	-	(127.23)
Provision for doubtful debts / advances (net)	<b>(34.54)</b>	109.53
Bad advances written off	<b>1.15</b>	-
Unrealised exchange loss (net)	<b>54.20</b>	(37.79)
Interest expense	<b>2,506.16</b>	2,285.93
Interest income	<b>(32.47)</b>	(97.50)
	<u><b>5,685.23</b></u>	<u>6,088.45</u>
Operating profit before working capital changes	<b>4,157.95</b>	6,233.89
Adjustments for :		
(Increase)/Decrease in sundry debtors	<b>1,570.92</b>	(1,923.04)
(Increase)/Decrease in inventories	<b>1,006.34</b>	(546.21)
(Increase)/Decrease in loans and advances	<b>999.91</b>	(365.37)
Increase/(Decrease) in current liabilities and provisions	<b>533.35</b>	5,683.20
	<u><b>4,110.52</b></u>	<u>2,848.58</u>
Cash generated from operations	<b>8,268.47</b>	9,082.47
Direct taxes paid	<b>(455.87)</b>	(429.82)
<b>Net Cash from Operating Activities</b>	<u><b>7,812.60</b></u>	<u>8,652.65</u>
<b>B Cash Flow from Investing Activities:</b>		
Additions to fixed assets (including capital work in progress and advances)	<b>(1,714.72)</b>	(883.36)
Advances to be adjusted against equity of new projects	<b>(26.33)</b>	(24.12)
Proceeds from sale of fixed assets	<b>163.21</b>	9.32
Proceeds from sale of investments	-	195.95
Interest received	<b>50.21</b>	101.48
Proceeds from Loans / Deposits with companies	-	631.25
	<u><b>(1,527.63)</b></u>	<u>30.52</u>
<b>Net cash from / (used) in investing activities</b>	<u><b>(1,527.63)</b></u>	<u>30.52</u>



Cash Flow Statement for the year ended 31st March 2007 (continued)

(Rupees in Lacs)

	<b>For the year ended 31st March, 2007</b>	<b>For the year ended 31st March, 2006</b>
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from new borrowings (net)	<b>1,223.30</b>	3,525.60
Repayment of borrowings	<b>(4,288.42)</b>	(8,444.88)
Dividend paid	<b>(892.22)</b>	(908.51)
Dividend tax paid	<b>(126.19)</b>	(126.19)
Interest paid	<b>(2,772.45)</b>	(2,532.92)
	<b>(6,855.98)</b>	(8,486.90)
<b>Net cash (used) in financing activities</b>	<b>(6,855.98)</b>	(8,486.90)
<b>Net cash flows during the year (A+B+C)</b>	<b>(571.01)</b>	196.27
<b>Cash and cash equivalents (Opening balance)</b>	<b>1,492.49</b>	1,299.53
Adjustment for unrealised exchange gain / (loss)	<b>(1.99)</b>	(5.30)
	<b>1,490.50</b>	1,294.23
<b>Cash and cash equivalents (Closing balance)</b>	<b>919.49</b>	1,492.49
Adjustment for unrealised exchange gain / (loss)	<b>-</b>	(1.99)
	<b>919.49</b>	1,490.50
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(571.01)</b>	196.27

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

B. Ramaratnam  
Partner

Place : Chennai  
Date : 10<sup>th</sup> May 2007

**SCHEDULES**  
**SHARE CAPITAL**

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

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
<b>Authorised</b>		
200,000,000 equity shares of Rs.10 each	<u>20,000.00</u>	<u>20,000.00</u>
<b>Issued</b>		
89,976,899 equity shares of Rs 10 each (Note 2)	<b>8,997.69</b>	8,997.69
<b>Subscribed and fully paid up</b>		
89,971,474 equity shares of Rs 10 each (Note 2)	<u><b>8,997.15</b></u>	<u>8,997.15</u>

**RESERVES AND SURPLUS**

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

	Balance as at 31st March, 2006	Transfer from profit and loss account/ additions during the year	Transfer to profit and loss account/ deductions during the year	<b>Balance as at 31st March, 2007</b>
Capital reserve	42.23 (42.23)	- (-)	- (-)	42.23 (42.23)
Securities premium account	4,611.57 (4,611.57)	- (-)	- (-)	4,611.57 (4,611.57)
Revaluation reserve account (Note 4)	2,935.03 (4,764.28)	- (-)	808.08 (1,829.25)	2,126.95 (2,935.03)
General reserve	14,906.33 (14,906.33)	- (-)	- (-)	14,906.33 (14,906.33)
Profit and loss account	8,194.22 (9,016.36)	7,088.26 (8,194.22)	8,194.22 (9,016.36)	7,088.26 (8,194.22)
	<b>30,689.38</b> <b>(33,340.77)</b>	<b>7,088.26</b> <b>(8,194.22)</b>	<b>9,002.30</b> <b>(10,845.61)</b>	<b>28,775.34</b> <b>(30,689.38)</b>

Figures in brackets relate to previous year.



## SECURED LOANS

## SCHEDULE - 3

(Rupees in Lacs)

	As at 31st March, 2007	As at 31st March, 2006
Loans from financial institutions		
Term loans [Amounts due within one year Rs. 416.64 lacs (Previous year Rs. 416.64 lacs)]	1,562.40	1,979.04
Loans from banks		
Term loans [Amounts due within one year Rs. 2,083.33 lacs (Previous year Rs. 2,083.01 lacs)]	8,940.24	11,023.25
Others (Long term)		
[Amounts due within one year Rs. 1,616.46 lacs (Previous year Rs. 1,538.78 lacs)]	3,468.82	4,507.60
Others (Short term)	5,655.01	5,391.86
	<u>19,626.47</u>	<u>22,901.75</u>

### Note:

1. Term Loan of Rs. 1,562.40 lacs (previous year Rs. 1,979.04 lacs) from a financial institution is secured by first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 and 3 (A).
2. Term loans from banks of Rs. 8,940.24 lacs (previous year Rs. 11,023.25 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. 2,750.00 lacs (previous year Rs. 4,125.00 lacs) is secured by
  - a. first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company [except for exclusive charge referred in note 3(B)] ranking pari passu with the loans stated in note 1 & 2.
  - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at the Chlor Alkali Division of the company and
  - c. Pledge of all the equity shares held by the Company in Henkel India Limited.
 (B) Term Loan of Rs. 718.82 lacs (previous year Rs. 382.60 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and rent receivables on the said property.
4. Other (short term) loans from banks of Rs. 5,655.01 lacs (previous year Rs. 5,391.86 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)

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
Loan from banks	-	249.99
Interest Free Sales Tax Loan	<b>1,821.76</b>	1,361.61
	<b><u>1,821.76</u></b>	<b><u>1,611.60</u></b>

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

(Rupees in Lacs)

Description	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.3.2006	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2007	As at 31.3.2006	For the year	Deductions/ Adjustments	As at 31.3.2007	As at 31.3.2007	As at 31.3.2006
Land	2,748.28	-	-	<b>2,748.28</b>	-	-	-	-	<b>2,748.28</b>	2,748.28
Buildings	5,825.37	-	-	<b>5,825.37</b>	1,382.33	135.58	-	<b>1,517.91</b>	<b>4,307.46</b>	4,443.04
Plant and machinery	110,275.44	627.09	610.85	<b>110,291.68</b>	75,117.03	3,894.90	580.06	<b>78,431.87</b>	<b>31,859.81</b>	35,158.41
Furnitures and fixtures	140.06	5.39	0.53	<b>144.92</b>	98.69	6.47	0.42	<b>104.74</b>	<b>40.18</b>	41.37
Office and other equipment	843.73	12.10	-	<b>855.83</b>	513.38	50.40	-	<b>563.78</b>	<b>292.05</b>	330.35
Vehicles	256.13	-	118.51	<b>137.62</b>	199.48	25.65	107.01	<b>118.12</b>	<b>19.50</b>	56.65
Ships - Barges	96.00	-	-	<b>96.00</b>	69.88	6.62	-	<b>76.50</b>	<b>19.50</b>	26.12
	<b>120,185.01</b>	<b>644.58</b>	<b>729.89</b>	<b>120,099.70</b>	<b>77,380.79</b>	<b>4,119.62</b>	<b>687.49</b>	<b>80,812.92</b>	<b>39,286.78</b>	
Previous year	119,963.23	254.87	33.09	<b>120,185.01</b>	71,706.84	5,697.40	23.45	<b>77,380.79</b>		42,804.22
Capital work in progress (Refer Note 24)									<b>8,674.52</b>	7,334.24
									<b>47,961.30</b>	50,138.46





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

**INVESTMENTS**

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
<b>Long Term Investments</b>		
<b>Shares, debentures and bonds.</b>		
<b>Trade (at cost) (quoted)</b>		
Henkel India Limited 1,93,95,900 equity shares of Rs.10 each	<b>4,202.45</b>	4,202.45
Standard Motor Products of India Limited 40,00,000 equity shares of Rs.10 each (cost Rs.400 lacs less provision for diminution in value of Rs 400 lacs)	-	-
<b>Trade (at cost) (unquoted)</b>		
<b>Subsidiary company:</b>		
Certus Investment & Trading Limited, Mauritius 2,04,190 equity shares of US dollar 100 each	<b>9,645.13</b>	9,645.13
SPIC Electric Power Corporation Private Limited 2,76,44,955 equity shares of Rs.10/- each (Refer Note 23)	<b>2,764.50</b>	2,764.50
Leo Utility and Power Limited 47,500 equity shares of Rs. 10 each (cost Rs. 4.75 lacs less provision for diminution in value of Rs 4.75 lacs)	-	-
<b>Associate Company:</b>		
Petro Araldite Private Limited 13,68,000 equity shares of Rs 100 each	<b>1,368.00</b>	1,368.00
	<b><u>17,980.08</u></b>	<b><u>17,980.08</u></b>
Aggregate value of unquoted investments	<b>13,777.63</b>	13,777.63
Aggregate value of quoted investments (net of provisions)	<b>4,202.45</b>	4,202.45
Market value of quoted investments	<b>4,082.84</b>	5,789.68

**CURRENT ASSETS, LOANS AND ADVANCES**

**SCHEDULE - 7**  
(Rupees in Lacs)

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
<b>A. CURRENT ASSETS:</b>		
<b>Inventories</b>		
Stores	2,680.50	3,030.46
Loose tools	3.97	1.98
Raw materials	3,448.13	4,844.20
Work in process	463.12	1,565.94
Finished goods	<u>3,295.68</u>	<u>1,455.16</u>
	<b>9,891.40</b>	10,897.74
<b>Sundry debtors (Unsecured)</b>		
Outstanding over six months		
Considered good	4.86	-
Considered doubtful	<u>67.54</u>	<u>102.08</u>
	72.40	102.08
Outstanding under six months		
Considered good	<u>5,700.96</u>	<u>7,297.67</u>
	<u>5,773.36</u>	<u>7,399.75</u>
Less : Provision for doubtful debts	<u>67.54</u>	<u>102.08</u>
	<b>5,705.82</b>	7,297.67
<b>Cash and bank balances</b>		
Cash on hand	1.46	1.26
Cheques on hand	186.28	300.20
With scheduled banks:		
On current accounts	586.58	989.00
On deposit accounts	1.84	32.38
On margin money account	<u>143.33</u>	<u>169.65</u>
	<b>919.49</b>	1,492.49
<b>B. LOANS AND ADVANCES:</b>		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	3,547.77	4,509.96
Considered doubtful	<u>125.23</u>	<u>161.89</u>
	<u>3,673.00</u>	<u>4,671.85</u>
Less : Provision for doubtful advances	<u>125.23</u>	<u>161.89</u>
	<u>3,547.77</u>	<u>4,509.96</u>
Balances with excise and customs authorities	410.06	529.41
Taxation (net of provisions)	<u>461.50</u>	<u>252.81</u>
	<b>4,419.33</b>	5,292.18
	<u><b>20,936.04</b></u>	<u>24,980.08</u>



## CURRENT LIABILITIES AND PROVISIONS

## SCHEDULE - 8 (Rupees in Lacs)

	As at 31st March, 2007	As at 31st March, 2006
<b>A. CURRENT LIABILITIES</b>		
Acceptances	2,279.98	1,457.81
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	-	-
- Others	<u>14,333.42</u>	<u>14,547.61</u>
	<b>14,333.42</b>	14,547.61
Unpaid dividends	162.39	154.90
Interest accrued but not due	4.88	1.03
Advances received from customers	<u>2,018.74</u>	<u>2,119.45</u>
	<b>18,799.41</b>	<b>18,280.80</b>
<b>B. PROVISIONS</b>		
Provision for leave encashment	163.85	230.10
Proposed dividend	-	899.71
Taxation (net of payments)	<u>306.99</u>	<u>664.36</u>
	<b>470.84</b>	1,794.17
	<b>19,270.25</b>	<b>20,074.97</b>

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2007.

## OTHER INCOME

## SCHEDULE - 9 (Rupees in Lacs)

	Year ended 31st March, 2007	Year ended 31st March, 2006
Scrap Sales	125.17	137.15
Exchange difference(net)	67.22	85.29
Rent	311.33	276.15
Profit on sale of assets (net)	120.81	-
Doubtful debts recovered	34.54	-
Miscellaneous income	<u>232.34</u>	<u>277.75</u>
	<b>891.41</b>	<b>776.34</b>

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

(Rupees in Lacs)

	Year ended 31st March, 2007		Year ended 31st March, 2006
Raw materials and Intermediates consumed	44,240.97		40,015.81
Purchase of traded goods	-		162.00
Stores and spare parts consumed	2,549.30		3,251.93
Utilities consumed	844.40		842.00
Power and fuel	16,197.00		14,900.53
Payments to and provisions for employees			
Salaries and allowances	1,539.00		1,476.15
Contribution to provident and other funds	108.09		169.71
Staff welfare	374.11		378.49
Travel and conveyance	214.80		206.21
Insurance	375.73		398.36
Rent	172.35		181.34
Rates and taxes	398.17		452.50
Repairs and maintenance			
Machinery	755.85	790.78	
Buildings	111.33	79.73	
Others	183.00	254.78	
	<u>1,050.18</u>		1,125.29
Discounts	8,356.74		6,513.38
Commission	278.20		293.96
Freight	2,398.42		2,151.05
Directors' sitting fees	13.50		13.70
Provision for doubtful debts / advances	-		109.53
Bad advances written off	37.81	-	-
Less : Provision for doubtful advances written back	36.66	-	-
	<u>1.15</u>		-
Loss on sale/scrapping of assets (net)	-		0.32
Legal and professional charges	114.05		163.60
Miscellaneous expenses	729.36		627.69
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	275.10		(574.94)
(Increase) / Decrease in work in process and finished goods			
Opening 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>	
Closing Stock			
Work in process	463.12	1,565.94	
Finished goods	3,295.68	1,455.16	
	<u>3,758.80</u>	<u>3,021.10</u>	
	<u>(737.70)</u>		2,814.10
	<u>79,492.92</u>		<u>75,672.71</u>



## INTEREST

## SCHEDULE - 11 (Rupees in Lacs)

	Year ended 31st March, 2007	Year ended 31st March, 2006
Interest expenses		
- on fixed period loans	1,444.98	1,777.88
- on others	<u>1,331.32</u>	<u>756.07</u>
	<u>2,776.30</u>	2,533.95
	<b>2,776.30</b>	<b>2,533.95</b>
Less : Interest income		
- On bank and inter corporate deposits (tax deducted at source Rs. 6.69 lacs; previous year 21.04 lacs)	23.51	85.34
- On others	<u>8.96</u>	<u>12.16</u>
	<u>32.47</u>	97.50
	<b>2,743.83</b>	2,436.45
Less : Interest capitalised	<u>270.14</u>	<u>248.02</u>
	<b>2,473.69</b>	<b>2,188.43</b>

## SCHEDULE - 12

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007

#### 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 vat) and any directly attributable cost of bringing the assets to its working condition for its intended use. Certain assets have been revalued as on 31st March, 1996 and the resultant surplus has been added to the cost of the assets.

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

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

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

Foreign currency receivables/payables are translated on the same basis as above and gain or loss arising out of such translation are adjusted to the profit and loss account and forward cover premium 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, loose tools and raw materials at moving weighted average rates.
- b. 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.

During the current financial year the Company has obtained permission from Income Tax authorities for withdrawal of superannuation scheme for employees with effect from 1.4.2006 except for whole time directors of the Company.

Contribution to the superannuation scheme for wholetime directors 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 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.9.63 lacs (Previous year Rs.10.58 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.808.08 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, 2007	As at March 31, 2006
5 Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	29.83	1,068.39
<b>6 Contingent Liabilities</b>		
a) Bills discounted	513.14	1,625.91
b) Other claims not acknowledged as debts		
i) <b>Sales tax</b>	<b>8,798.18</b>	8,827.10
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 (previous year Rs. 7,781.01 lacs). During the year, for assessment years 1994-95 and 1995-96, the matter has been remanded back to the Assessing Officer, for reverification of the records. The order of the Assessing Officer is awaited. 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. 978.15 lacs (previous year Rs.1,007.07 lacs). During the year, the Tribunal has remanded the matter back to the Assessing Officer to verify the correctness and completeness of the transactions. The order of the Assessing Officer is awaited. In case the declarations are found to be not genuine the Company has recourse to only the existing customers for reimbursement.		
ii) <b>Excise duty</b>	<b>566.92</b>	695.60
iii) <b>Service Tax</b>	<b>67.85</b>	6.21
iv) <b>Income Tax</b>	<b>1,150.01</b>	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.		
<b>7 Dividend paid in foreign currency</b>		
Number of shareholders	14	14
Number of shares held	19,22,200	19,22,200
Amount of dividend paid (Rs. lacs)	19.22	19.22
Dividend for the year ended	<b>March 31, 2006</b>	March 31, 2005
<b>8 Managerial Remuneration</b>		
Wholetime Directors' remuneration*	44.49	39.75
Contribution to provident and other funds	5.07	4.53
Directors' Sitting Fee	13.50	13.70
	<b>63.06</b>	57.98

\* Rs.10.94 lacs is subject to shareholders approval (previous year Rs.5.18 lacs)

9 <b>Computation of net profit under Section 198 of the Companies Act, 1956</b>	(Rs. in lacs)	
	<b>Year ending March 31, 2007</b>	Year ending March 31, 2006
Profit/(Loss) before taxation as per profit and loss account	<b>(1,527.28)</b>	145.44
Add : Depreciation as per accounts	<b>3,311.55</b>	3,868.15
Managerial remuneration	<b>63.06</b>	57.98
Provision for doubtful debts / advances	-	109.53
Loss on sale of investments	-	87.04
(Profit)/Loss on sale of assets (net) as per accounts	<b>(120.81)</b>	0.32
	<b>3,253.80</b>	4,123.02
	<b>1,726.52</b>	4,268.46
Less : Depreciation under section 350 of the Companies Act, 1956	<b>3,734.84</b>	4,159.90
Write back of provision for diminution in value of investments	-	127.23
(Profit)/Loss on sale of assets (net) as per Section 349 of the Companies Act, 1956.	<b>(120.81)</b>	0.32
	<b>3,614.03</b>	4,287.45
Net Loss in terms of Section 198 of the Companies Act, 1956	<b>(1,887.51)</b>	(18.99)
Excess of expenditure over income under Section 349(4) (1) of the Companies Act, 1956.	<b>(18.99)</b>	-
	<b>(1,906.50)</b>	(18.99)
Maximum commission to Non Wholetime Directors	<b>Nil</b>	Nil
<b>10 Auditor's remuneration</b>		
Audit fee	<b>14.00</b>	12.00
Other services	<b>2.19</b>	7.30
Reimbursement of expenses	<b>0.31</b>	2.43
<b>11 CIF Value of imports</b>		
Capital goods	<b>140.68</b>	240.51
Intermediates	<b>2,767.37</b>	128.48
Raw materials	<b>1,706.30</b>	1,414.98
Traded goods	-	167.64
Stores and spares	<b>869.75</b>	1,428.50
<b>12 Expenditure in foreign currency</b>		
Travel and training	<b>8.39</b>	8.11
Technical fees	<b>317.32</b>	273.19
Others	<b>101.22</b>	100.79
<b>13 Earnings in foreign exchange</b>		
Export of goods on FOB basis	<b>6,076.59</b>	9,504.55



**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	85,270	82,233
Heavy Normal Paraffin	MT	15,000	15,000	639	5,279
Heavy Alkylate	MT	N.A	N.A	3,969	3,933
Epichlorohydrin	MT	10,000	10,000	9,753	11,135
Wind Power	KW/Units	12,000	12,000	17,268,865	17,256,157
		KW	KW	Units	Units
Caustic Soda	MT	56,100	56,100	58,840	59,172
Chlorine	MT	40,000	40,000	47,338	48,727
Hydrochloric acid	MT	39,600	39,600	34,050	31,495
Ammonium Chloride	MT	21,000	21,000	1,257	803

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

N.A Not applicable

**15 (a) Raw materials and Intermediates consumed**

	Unit of Measurement	Year ended March 31, 2007		Year ended March 31, 2006	
		Quantity	Value (Rs. lacs)	Quantity	Value (Rs. lacs)
Kerosene	KL	<b>63,527</b>	<b>18,048.90</b>	64,234	15,207.90
Benzene	MT	<b>28,819</b>	<b>13,112.10</b>	27,921	11,000.47
Normal Paraffin	MT	<b>18,434</b>	<b>7,796.83</b>	24,466	8,785.39
Others			<b>5,283.14</b>		5,022.05
Total			<b>44,240.97</b>		40,015.81

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

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

	Year ended March 31, 2007		Year ended March 31, 2006	
	% of total consumption	Value (Rs. lacs)	% of total consumption	Value (Rs. lacs)
Imported	<b>28</b>	<b>12,428.13</b>	36	14,543.49
Indigenous	<b>72</b>	<b>31,812.84</b>	64	25,472.32
	<b>100</b>	<b>44,240.97</b>	100	40,015.81
(ii) <b>Stores and Spare parts consumed</b>				
Imported	<b>41</b>	<b>1,042.46</b>	50	1,617.91
Indigenous	<b>59</b>	<b>1,506.84</b>	50	1,634.02
	<b>100</b>	<b>2,549.30</b>	100	3,251.93

16 Purchase of Traded goods

	Unit of Measurement	Year ended March 31, 2007		Year ended March 31, 2006	
		Quantity	Value (Rs. lacs)	Quantity	Value (Rs. lacs)
Linear Alkyl Benzene	MT	-	-	295.862	162.00

There are no opening and closing stocks of traded goods.

17 Sales

	Unit of Measurement	Year ended March 31, 2007		Year ended March 31, 2006	
		Quantity	Value (Rs. lacs)	Quantity	Value (Rs. lacs)
Linear Alkyl Benzene	MT	82,394	66,547.96	89,062	62,765.80
Epichlorohydrin	MT	9,752	10,444.00	11,431	10,156.00
Others			17,546.94		19,394.37
Total			94,538.90		92,316.17

18 Stock Particulars of finished goods

	Year ended March 31, 2007				Year ended March 31, 2006			
	Opening Stock Quantity Mt	Value Rs. Lacs	Closing Stock Quantity Mt	Value Rs. Lacs	Opening Stock Quantity Mt	Value Rs. Lacs	Closing Stock Quantity Mt	Value Rs. Lacs
Linear Alkyl Benzene	1,681	1,166.17	4,447	3,095.32	8,290	4,744.87	1,681	1,166.17
Others		288.99		200.36		450.94		288.99
Total		1,455.16		3,295.68		5,195.81		1,455.16

19 (a) The company has obtained exemption from the Government of India, Department of Company Affairs, vide Order No. 46/260/2006-CL-III dated 19<sup>th</sup> January 2007, from giving information in respect of para 3(i)(a) and 3(ii)(a)(1)&(2) of part II of Schedule VI to the Companies Act, 1956, only for those goods, for which total quantity manufactured / traded is less than 10% of total value of goods.

(b) The Government of India, Department of Company Affairs vide its Order No. 47/361/2006-CL-III dated 22<sup>nd</sup> March, 2007 issued under Section 212 (8) of the Companies Act, 1956 has directed that in relation to the Subsidiaries of the Company, the provision contained in Section 212(1) of the Companies Act, 1956 pursuant to which certain documents are required to be attached to the company's accounts shall not apply for the current year.

20. a) 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

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

21 Earnings per share

	Year ended March 31, 2007	Year ended March 31, 2006
Profit/(Loss) after taxation (Rs. in lacs)	(1,105.96)	203.76
Weighted number of equity shares outstanding	89,971,474	89,971,474
Basic and diluted earnings per share (Face value - Rs.10/- per share)	(1.23)	0.23



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

- i) The list of related parties as identified by the management are as under
- |   |  |
|---|--|
| A) Promoters  | 1. Southern Petrochemical Industries Corporation Limited<br>2. Tamilnadu Industrial Development Corporation Limited  |
| B) Associate  | Petro Araldite Private Limited   |
| C) Subsidiaries   | 1. Certus Investment and Trading Limited<br>2. Certus Investment and Trading (S) Private Limited<br>3. TPL India Singapore Private Limited<br>4. SPIC Electric Power Corporation (Private) Limited<br>5. Leo Utility and Power Limited. (Application filed during May 2006 with the Registrar of Companies to strike off the name of the company from the Register specified under Section 560 of the Companies Act, 1956) |
| D) Joint Venture  | Gulf Petroproduct Company E.C.   |
| E) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.  | None   |
| F) Key management personnel   | 1. Thiru. RM. Muthukaruppan<br>Managing Director & Chief Operating Officer<br>2. Thiru. V. Ramani<br>Director & Chief Financial Officer  |
| G) Enterprise over which any person described in (E) or (F) is able to exercise significant influence. This includes enterprises owned by Directors or major shareholders of the reporting enterprise that enterprise that have a member of key management personnel in common with the reporting enterprise. | None   |

### Related Party Transactions

The Company has identified all related parties and details of transactions are given below. Bad advances written off during the year for Rs.37.81 Lacs in respect of Leo Utility and Power Limited. Provision for doubtful advances has been created in earlier years for Rs.36.66 lacs in respect of Leo Utility and Power Limited. 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			2.50 (3.00)			
	Leo Utility and Power Limited				1.15 (15.07)		
	SPIC Electric Power Corporation (Private) Limited				22.68 (6.05)		
2	Investment						
	Certus Investments and Trading Limited				- (8.73)*		
3	Sale of goods	35.75 (32.64)	8,219.07 (7,410.49)				
	Certus Investments and Trading Limited				2,405.28 (7,020.56)		
4	Service/Consultancy charges	8.92 (3.31)					
5	Commission	35.71 (59.23)					
6	Managerial remuneration					49.56 (44.28)	
7	Rent paid	1.81 (1.20)					
8	Reimbursement of expenses	23.37 (15.49)					
9	Sitting fees	3.80 (3.80)					
10	Dividend paid					0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	152.34 (152.34)					
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	158.44 (158.44)					
11	Balance outstanding as of 31st March 2007	16.53Cr (28.87)Dr	629.62Dr (839.46)Dr	158.37Dr (155.87)Dr	1,495.66Dr (1,739.68)Dr	14.38Cr (13.80)Cr	- (-)

\* Includes conversion into equity of advances made in earlier years of Rs.Nil ( Previous year Rs.8.73 Lacs)  
Transactions with promoters are with SPIC unless otherwise disclosed.  
Figures in brackets are in respect of the previous year



- 23 As at 31st March 2007, the company has investments of Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003 and advances against equity of Rs.28.72 lacs made during the financial years 2006 and 2007. 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 the process of entering into an MOU with a prospective investor for implementation of the project. In view of these developments, no provision in the value of investment and advance against equity is considered necessary at this stage.

- 24 During the year 2004, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. 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.
- 25 Exceptional item represents loss on sale of investments (net) of Rs. Nil (previous year Rs.87.04 lacs) and write back of provision for diminution in value of investments (net) of Rs. Nil (previous year provision of Rs.127.23 lacs)

26 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 31.12.2006	Year ended 31.12.2005
I a) Net Fixed Assets	-	0.09
b) Cash and Bank Balances	3.73	5.36
c) Loans and Advances	1,534.63	1,569.02
II Current Liabilities and provisions	1,163.99	1,195.06
Advance received towards equity	201.79	200.36
III Expenses	0.73	1.36
Depreciation	0.09	0.27

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

(Rupees in Lacs)

	As at March 31, 2006	Tax effect for the Year	As at March 31, 2007
Deferred tax asset :			
Unabsorbed depreciation	-	32.00	<b>32.00</b>
Accrued expenses deductible on payment	308.54	45.46	<b>354.00</b>
Provision for doubtful debts / Advances	88.86	(23.33)	<b>65.53</b>
Total	397.40	54.13	<b>451.53</b>
Deferred tax (liability):			
Fixed assets	(9,221.17)	383.19	<b>(8,837.98)</b>
Net deferred tax (liability)	(8,823.77)	437.32	<b>(8,386.45)</b>

28. Derivative instruments :

- a) The following are the outstanding Forward Exchange Contracts entered into by the Company as on 31<sup>st</sup> March 2007 :

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

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

	US Dollars	INR equivalent (Lacs)
Amount receivable in Foreign currency - Exports	35,47,882 (54,70,964)	1,541.20 (2,440.05)
Amount payable in Foreign currency - Imports	- ( 364,206)	- ( 162.00)

Figures in brackets are in respect of the previous year.



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

**I. Registration Details :**

Registration No.        
 Balance Sheet:        
 Date Month Year

State Code:

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

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

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

Total Liabilities	<input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/>	Total Assets	<input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/>
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**Sources of Funds**

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

**Application of Funds**

Net Fixed Assets	<input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="0"/>	Investments	<input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="8"/>
Net Current Assets	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="9"/>	Misc Expenditure	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>
Accumulated Losses	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/>		

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

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

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

Item Code No.          
 Product Description                    
 Item Code No.          
 Product Description:                 
 Item Code No.        
 Product Description

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

For and on behalf of the Board

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

Place : Chennai  
Date : 10<sup>th</sup> May 2007

**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 (\$) Private Limited (see foot note 1)	TPL India Singapore 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, 2006	31st December, 2006	30th June, 2007	31st March, 2007	26th April, 2006
2. Date from which they became Subsidiary Companies	30th October, 2001	10th November, 2004	11th May, 2006	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	18,75,339 Equity Shares of the face value of US \$1 each fully paid up held by Certus Investment & Trading Limited	3,00,000 Equity Shares of the face value of US \$1 each fully paid up held by Certus Investment & Trading Limited	27,644,955 Equity Shares of the face value of Rs.10 each fully paid up	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%	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 \$ 4,48,137 Rs. 199.20 lacs	US \$ (13,890) Rs. (6.17) lacs		NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	US \$ 2,41,347 Rs. 111.25 lacs	US \$ 73,804 Rs. 33.30 lacs		NIL	NIL
b. Dealt with in Holding Company's accounts					
i) for Subsidiary's financial year	NIL	NIL	NIL	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	NIL	Not Applicable	NIL	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	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	NIL	Not Applicable	Not Applicable
ii) Subsidiary's Investments	NIL	NIL	NIL	Not Applicable	Not Applicable
iii) monies lent by the Subsidiary	NIL	NIL	NIL	Not Applicable	Not Applicable
iv) monies borrowed by the Subsidiary, other than that of meeting current liabilities (advance towards equity)	NIL	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 : 10<sup>th</sup> May 2007





## **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, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year then ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Tamilnadu Petroproducts Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statement of the subsidiaries and joint venture, whose financial statements reflect total assets of Rs.17,550.51 lacs as at 31st March 2007 and total revenues of Rs.2,563.26 lacs and cash flows amounting to Rs.519.46 lacs (negative) for the year then ended and associate whose financial statements reflect the TPL group's share of reserves and surplus of Rs.23.26 lacs (negative) including profit of Rs. 362.31 lacs for the year ended 31st March 2007. 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.

Place : Chennai  
Date : 10<sup>th</sup> May, 2007

We report that the consolidated financial statements have been prepared by the TPL Group's management in accordance with the requirements of Accounting Standard AS 21 - Consolidated Financial Statements, AS 23 - Accounting for Investment in Associates in Consolidated Financial Statements and AS 27 - Financial reporting of interest in Joint Ventures 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 investment of Rs.2,764.50 lacs and advance against equity of Rs.28.72 lacs held by the holding Company in its subsidiary, SPIC Electric Power Corporation Private Limited. In view of the considerable delay in the implementation of the project we are unable to express an opinion on the provision, if any, required in respect of the said net assets reflecting the value of the above referred investments and advance against equity.*

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and the unaudited financial statements of the associate and to the best of our information and according to the explanations given to us, *subject to our comments in 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 2007; and
- b) In the case of the consolidated profit and loss account, of the loss for the year ended on that date; and
- c) In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A.F. Ferguson & Co  
Chartered Accountants  
B. Ramaratnam  
Partner  
Membership No. 21209

Consolidated Balance Sheet of Tamilnadu Petroproducts Limited as at 31st March 2007 (Rupees in Lacs)

	SCHEDULE	As at March 31, 2007	As at March 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds:</b>			
Share capital	1	8,997.15	8,997.15
Reserves and surplus	2	<u>28,391.04</u>	<u>29,886.39</u>
		<b>37,388.19</b>	<b>38,883.54</b>
Advance towards share capital		<b>1,003.24</b>	<b>1,003.24</b>
Minority Interest		<b>50.00</b>	<b>50.00</b>
<b>Loan Funds:</b>			
Secured	3	19,626.47	22,901.75
Unsecured	4	<u>1,821.76</u>	<u>1,611.60</u>
		<b>21,448.23</b>	<b>24,513.35</b>
Deferred tax liabilities (net)		<b>8,386.45</b>	<b>8,823.77</b>
<b>TOTAL</b>		<b><u>68,276.11</u></b>	<b><u>73,273.90</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross block	5	120,179.98	120,264.67
Less: Depreciation		<u>80,874.77</u>	<u>77,441.50</u>
Net Block		<b>39,305.21</b>	<b>42,823.17</b>
Capital work in progress		<u>9,286.98</u>	<u>7,687.76</u>
		<b>48,592.19</b>	<b>50,510.93</b>
<b>INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD PENDING ALLOCATION</b>	6	<b>4,767.44</b>	<b>4,433.92</b>
<b>INVESTMENTS</b>	7	<b>5,547.19</b>	<b>5,184.88</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories		9,891.40	10,897.74
Sundry debtors		6,443.21	7,349.56
Cash and bank balances		9,005.21	10,454.13
Loans and advances		<u>5,887.47</u>	<u>6,821.71</u>
		<b>31,227.29</b>	<b>35,523.14</b>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	9	21,381.07	20,582.23
Provisions		<u>480.42</u>	<u>1,800.23</u>
		<b>21,861.49</b>	<b>22,382.46</b>
<b>Net current assets</b>		<b>9,365.80</b>	<b>13,140.68</b>
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		<b>3.49</b>	<b>3.49</b>
<b>TOTAL</b>		<b><u>68,276.11</u></b>	<b><u>73,273.90</u></b>
Notes to the accounts	13		

As per our report of even date attached

For and on behalf of the Board

For A.F. Ferguson & Co.  
Chartered Accountants

A C MUTHIAH  
S. SUSAI  
C. RAMACHANDRAN  
V. RAMANI  
RM. MUTHUKARUPPAN

Vice Chairman  
Director  
Director  
Director & CFO  
Managing Director & COO

M.B. GANESH  
Secretary

B. Ramaratnam  
Partner

Place : Chennai  
Date : 10<sup>th</sup> May 2007



**Consolidated Profit and Loss Account of Tamilnadu Petroproducts Limited  
for the year ended 31st March 2007**

(Rupees in Lacs)

	SCHEDULE	Year ended March 31, 2007	Year ended March 31, 2006
<b>INCOME</b>			
Sales and services		94,696.88	92,341.02
Less : Excise duty		<u>11,679.44</u>	<u>11,257.97</u>
Net Sales and services		<b>83,017.44</b>	81,083.05
Other income	10	<u>824.19</u>	<u>788.17</u>
		<b>83,841.63</b>	<b>81,871.22</b>
<b>EXPENDITURE</b>			
Manufacturing and other expenses	11	<b>79,943.31</b>	76,025.15
Interest (Net)	12	<b>2,049.20</b>	1,884.99
Depreciation for the year		<b>4,119.76</b>	5,697.67
Less:credit for amount withdrawn from revaluation reserve		<u>808.08</u>	<u>1,829.25</u>
		<b>3,311.68</b>	3,868.42
		<b>85,304.19</b>	<b>81,778.56</b>
<b>PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		<b>(1,462.56)</b>	92.66
Exceptional items (see Note 13)		-	<u>44.94</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(1,462.56)</b>	137.60
Provision for tax			
- current		<b>8.34</b>	628.26
- deferred		<b>(437.32)</b>	(719.32)
- fringe benefit		<u>16.00</u>	<u>40.00</u>
		<b>(412.98)</b>	(51.06)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(1,049.58)</b>	188.66
Share of profits of Associate		<b>362.31</b>	315.06
<b>Net Profit/(Loss)</b>		<b>(687.27)</b>	503.72
Balance brought forward		<b>8,961.64</b>	9,483.82
Transferred from translation adjustment on consolidation		<b>(539.97)</b>	-
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>7,734.40</b>	<b>9,987.54</b>
<b>APPROPRIATIONS</b>			
Proposed dividends		-	899.71
Tax on dividends		-	126.19
Balance carried to balance sheet		<b>7,734.40</b>	8,961.64
		<b>7,734.40</b>	<b>9,987.54</b>
Earnings per share : (after exceptional items)			
Basic and diluted		<b>(0.76)</b>	0.56

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

A C MUTHIAH  
S. SUSAI  
C. RAMACHANDRAN  
V. RAMANI  
RM. MUTHUKARUPPAN

Vice Chairman  
Director  
Director  
Director & CFO  
Managing Director & COO

M.B. GANESH  
Secretary

B. Ramaratnam  
Partner

Place : Chennai  
Date : 10<sup>th</sup> May 2007

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

(Rupees in Lacs)

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
<b>A Cash Flow from Operating Activities:</b>		
<b>Profit/(Loss) before tax</b>	<b>(1,462.56)</b>	137.60
Adjustment for		
Depreciation	3,311.68	3,868.42
(Profit) / Loss on sale / scrapping of fixed assets (net)	(120.81)	0.32
Loss on sale of investments (net)	-	87.04
Provision for diminution in value of investments (net)	-	(131.98)
Provision for doubtful debts / advances (net)	(34.54)	72.87
Incidental expenditure during construction period written off	-	42.23
Miscellaneous expenditure written off	-	0.33
Unrealised exchange loss (net)	6.47	9.03
Interest expense	2,506.16	2,285.93
Interest income	(456.96)	(400.94)
Translation adjustment on consolidation	-	181.37
	<b>5,212.00</b>	6,014.62
Operating profit before working capital changes	<b>3,749.44</b>	6,152.22
Adjustments for :		
(Increase)/Decrease in sundry debtors	933.15	(1,968.56)
(Increase)/Decrease in inventories	1,006.34	(546.21)
(Increase)/Decrease in loans and advances	1,377.99	(438.35)
Increase/(Decrease) in current liabilities and provisions	724.73	6,097.75
	<b>4,042.21</b>	3,144.63
Cash generated from operations	<b>7,791.65</b>	9,296.85
Direct taxes paid	<b>(713.72)</b>	(436.56)
<b>Net Cash from Operating Activities</b>	<b>7,077.93</b>	8,860.29
<b>B Cash Flow from Investing Activities:</b>		
Additions to fixed assets (including capital work in progress/advances and incidental expenditure during construction period)	<b>(2,306.80)</b>	(1,270.94)
Proceeds from sale of fixed assets	163.21	9.32
Proceeds from sale of investments	-	195.95
Interest received	474.71	404.92
Proceeds from Loans / Deposits with companies	-	631.25
	<b>(1,668.88)</b>	(29.50)
<b>Net cash (used) in investing activities</b>	<b>(1,668.88)</b>	(29.50)



Consolidated Cash Flow Statement for the year ended 31st March 2007 (continued)

(Rupees in Lacs)

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from new borrowings (net)	1,223.30	3,525.60
Repayment of borrowings	(4,288.42)	(8,444.88)
Dividend paid	(892.22)	(908.51)
Dividend tax paid	(126.19)	(126.19)
Interest paid	(2,772.45)	(2,532.92)
	<b>(6,855.98)</b>	(8,486.90)
<b>Net cash (used) in financing activities</b>	<b>(6,855.98)</b>	(8,486.90)
<b>Net cash flows during the year (A+B+C)</b>	<b>(1,446.93)</b>	343.89
Cash and cash equivalents (Opening balance)	10,454.13	10,113.55
Adjustment for unrealised exchange gain / (loss)	(1.99)	(5.30)
	<b>10,452.14</b>	10,108.25
Cash and cash equivalents (Closing balance)	9,005.21	10,454.13
Adjustment for unrealised exchange gain / (loss)	-	(1.99)
	<b>9,005.21</b>	10,452.14
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,446.93)</b>	343.89

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  
Managing Director &  
Chief Operating Officer

V. RAMANI  
Director &  
Chief Financial Officer

M.B. GANESH  
Secretary

B. Ramaratnam  
Partner

Place : Chennai  
Date : 10<sup>th</sup> May 2007

**SCHEDULES**  
**SHARE CAPITAL**

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

	<b>As at March 31, 2007</b>	<b>As at March 31, 2006</b>
<b>Authorised</b>		
200,000,000 equity shares of Rs.10 each	<b>20,000.00</b>	20,000.00
<b>Issued</b>		
89,976,899 equity shares of Rs.10 each (Note 3)	<b>8,997.69</b>	8,997.69
<b>Subscribed and fully paid up</b>		
89,971,474 equity shares of Rs.10 each (Note 3)	<b>8,997.15</b>	8,997.15

**RESERVES AND SURPLUS**

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

	Balance as at March 31 2006	Translation adjustment on consolidation	Transfer from profit and loss account/ additions during the year	Transfer to profit and loss account/ deductions during the year	<b>Balance as at March 31 2007</b>
Capital reserve	42.23 (42.23)	- (-)	- (-)	- (-)	42.23 (42.23)
Securities premium account	4,611.57 (4,611.57)	- (-)	- (-)	- (-)	4,611.57 (4,611.57)
Revaluation reserve account (Note 5)	2,935.03 (4,764.28)	- (-)	- (-)	808.08 (1,829.25)	2,126.95 (2,935.03)
Foreign currency translation reserve (on consolidation)	(539.97) (-721.34)	- (181.37)	- (-)	(539.97) (-)	- (-539.97)
General reserve	13,875.89 (13,875.89)	- (-)	- (-)	- (-)	13,875.89 (13,875.89)
Profit and loss account	8,961.64 (9,483.82)	- (-)	7,734.40 (8,961.64)	8,961.64 (9,483.82)	7,734.40 (8,961.64)
	29,886.39 (32,056.45)	- (181.37)	7,734.40 (8,961.64)	9,229.75 (11,313.07)	28,391.04 (29,886.39)

Figures in brackets relate to previous year.



## SECURED LOANS

## SCHEDULE - 3 (Rupees in Lacs)

	As at March 31, 2007	As at March 31, 2006
Loans from financial institutions		
Term loans [Amounts due within one year Rs. 1,041.67 lacs (Previous year Rs. Nil)]	1,562.40	1,979.04
Loans from banks		
Term loans [Amounts due within one year Rs. 979.17 lacs (Previous year Rs. 1,000.00 lacs)]	8,940.24	11,023.25
Others (Long term)		
[Amounts due within one year Rs. 1,375.00 Lacs (Previous year Rs. 2,000.00 lacs)]	3,468.82	4,507.60
Others (Short term)	5,655.01	5,391.86
	<u>19,626.47</u>	<u>22,901.75</u>

### Note:

1. Term Loan of Rs. 1,562.40 lacs (previous year Rs. 1,979.04 lacs) from a financial institution is secured by first mortgage by deposit of title deeds of all company's immovable properties both present and future, and charge on all the movable properties of the company (except for exclusive charges referred in note 3(A) (b) & (c) and 3(B) below) ranking pari passu with the loans stated in note 2 and 3 (A).
2. Term loans from banks of Rs. 8,940.24 lacs (previous year Rs. 11,023.25 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. 2,750.00 lacs (previous year Rs. 4,125.00 lacs) is secured by
  - a. first mortgage by deposit of title deeds of all company's immovable properties, both present and future, and charge on all the movable properties of the company [except for exclusive charge referred in note 3(B)] ranking pari passu with the loans stated in note 1 & 2.
  - b. an exclusive charge on the Diesel Generator Sets and auxiliary equipments installed at the Chlor Alkali Division of the company and
  - c. Pledge of all the equity shares held by the Company in Henkel India Limited.
 (B) Term Loan of Rs. 718.82 lacs (previous year Rs. 382.60 lacs) is secured by an exclusive mortgage of a specified property at Chennai by way of deposit of title deeds and rent receivables on the said property.
4. Other (short term) loans from banks of Rs. 5,655.01 lacs (previous year Rs. 5,391.86 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)

	<b>As at March 31, 2007</b>	<b>As at March 31, 2006</b>
Loans from banks	-	249.99
Interest Free Sales Tax Loan	<b>1,821.76</b>	1,361.61
	<b><u>1,821.76</u></b>	<b><u>1,611.60</u></b>

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

Description	COST/VALUATION				DEPRECIATION				NET BOOK VALUE	
	As at 31.3.2006	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2007	As at 31.3.2006	For the year	Deductions/ Adjustments	As at 31.3.2007	As at 31.3.2007	As at 31.3.2006
Land	2,763.28	-	-	<b>2,763.28</b>	-	-	-	-	<b>2,763.28</b>	2,763.28
Buildings	5,825.37	-	-	<b>5,825.37</b>	1,382.33	135.58	-	<b>1,517.91</b>	<b>4,307.46</b>	4,443.04
Plant and machinery	110,275.44	627.09	610.85	<b>110,291.68</b>	75,118.99	3,894.90	580.06	<b>78,433.83</b>	<b>31,857.85</b>	35,156.45
Furnitures and fixtures	160.50	5.39	0.53	<b>165.36</b>	121.79	6.69	0.42	<b>128.06</b>	<b>37.30</b>	38.71
Office and other equipment	881.39	12.72	-	<b>894.11</b>	545.38	50.91	-	<b>596.29</b>	<b>297.82</b>	336.01
Vehicles	261.33	-	118.51	<b>142.82</b>	217.17	25.97	107.01	<b>136.13</b>	<b>6.69</b>	44.16
Ships - Barges	96.00	-	-	<b>96.00</b>	54.57	6.62	-	<b>61.19</b>	<b>34.81</b>	41.43
Group share in joint venture	1.36	-	-	<b>1.36</b>	1.27	0.09	-	<b>1.36</b>	-	0.09
	<b>120,264.67</b>	<b>645.20</b>	<b>729.89</b>	<b>120,179.98</b>	<b>77,441.50</b>	<b>4,120.76</b>	<b>687.49</b>	<b>80,874.77</b>	<b>39,305.21</b>	
Previous year	120,043.38	255.37	34.08	<b>120,264.67</b>	71,766.39	5,698.68	23.57	<b>77,441.50</b>		42,823.17
Capital work in progress (Refer Note 12)									9,286.98	7,687.76
									<b>48,592.19</b>	<b>50,510.93</b>

Depreciation for the year includes Rs 1.00 lac (previous year Rs. 1.01 lacs) in respect of SPIC Electric Power Corporation Private Limited grouped under Schedule 6.





**INCIDENTAL EXPENDITURE DURING CONSTRUCTION  
PERIOD PENDING ALLOCATION**

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

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
Payment to and provision for employees		
Salaries and allowances	<b>444.44</b>	457.52
Contribution to provident and other funds	<b>35.83</b>	33.88
Staff welfare	<b>51.56</b>	52.26
	<b>531.83</b>	543.66
Repairs and maintenance - others	<b>36.25</b>	37.53
Land lease rent	<b>1,685.27</b>	1,383.24
Rent, rates and taxes	<b>131.06</b>	131.46
Professional fees	<b>1,616.95</b>	1,612.33
Travel	<b>265.69</b>	266.94
Directors sitting fees	<b>6.50</b>	5.94
Miscellaneous expenditure	<b>389.13</b>	389.90
Depreciation	<b>145.29</b>	145.06
Loss on sale of assets	<b>3.48</b>	4.35
	<b>4,811.45</b>	4,520.41
Less : Interest on deposits	<b>44.01</b>	44.01
	<b>4,767.44</b>	4,476.40
Less Incidental expenditure written off	<b>-</b>	42.48
	<b>4,767.44</b>	4,433.92

**INVESTMENTS****SCHEDULE - 7**  
(Rupees in Lacs)

	<b>As at 31st March, 2007</b>	<b>As at 31st March, 2006</b>
<b>Long Term Investments</b>		
<b>Shares, debentures and bonds.</b>		
<b>Trade (at cost) (quoted)</b>		
Henkel India Limited (formerly Henkel SPIC India Limited) 1,93,95,900 equity shares of Rs.10 each	<b>4,202.45</b>	4,202.45
Standard Motor Products of India Limited 40,00,000 equity shares of Rs.10 each (cost Rs.400 lacs less provision for diminution in value of Rs 400 lacs)	-	-
<b>Trade (at cost) (unquoted)</b>		
<b>Associate Company (accounted on equity method)</b>		
Petro Araldite Private Limited 13,68,000 equity shares of Rs 100 each	<b>1,344.74</b>	982.43
	<b><u>5,547.19</u></b>	<u>5,184.88</u>
Aggregate value of unquoted investments	<b>1,344.74</b>	982.43
Aggregate value of quoted investments (net of provisions)	<b>4,202.45</b>	4,202.45
Market value of quoted investments	<b>4,082.84</b>	5,789.68



**CURRENT ASSETS, LOANS AND ADVANCES**

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

	<b>As at March 31, 2007</b>	<b>As at March 31, 2006</b>
<b>A. CURRENT ASSETS:</b>		
<b>Inventories</b>		
Stores	2,680.50	3,030.46
Loose tools	3.97	1.98
Raw materials	3,448.13	4,844.20
Work in process	463.12	1,565.94
Finished goods	<u>3,295.68</u>	<u>1,455.16</u>
	<b>9,891.40</b>	10,897.74
<b>Sundry debtors (Unsecured)</b>		
Outstanding over six months		
Considered good	4.86	51.89
Considered doubtful	<u>67.54</u>	<u>102.08</u>
	72.40	153.97
Outstanding under six months		
Considered good	<u>6,438.35</u>	<u>7,297.67</u>
	<u>6,510.75</u>	7,451.64
Less : Provision for doubtful debts	<u>67.54</u>	<u>102.08</u>
	<b>6,443.21</b>	7,349.56
<b>Cash and bank balances</b>		
Cash on hand	1.48	1.26
Cheques on hand	186.28	300.20
With scheduled banks:		
On current accounts	587.67	993.27
On deposit accounts	1.84	32.38
On margin money account	143.33	169.65
With non scheduled banks on current account	8,080.88	8,952.01
Group share in cash and bank balances of joint venture	<u>3.73</u>	<u>5.36</u>
	<b>9,005.21</b>	10,454.13
<b>B. LOANS AND ADVANCES:</b>		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	3,481.28	4,470.47
Considered doubtful	<u>125.23</u>	<u>125.23</u>
	<u>3,606.51</u>	4,595.70
Less : Provision for doubtful advances	<u>125.23</u>	<u>125.23</u>
	<u>3,481.28</u>	4,470.47
Balances with excise and customs authorities	410.06	529.41
Taxation (net of provisions)	461.50	252.81
Group share in loans and advances of joint venture	<u>1,534.63</u>	<u>1,569.02</u>
	<b>5,887.47</b>	6,821.71
	<u><b>31,227.29</b></u>	<u><b>35,523.14</b></u>

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

(Rupees in Lacs)

	<b>As at March 31, 2007</b>	As at March 31, 2006
<b>A. CURRENT LIABILITIES</b>		
Acceptances	2,279.98	1,457.81
Sundry creditors		
- Total outstanding dues to small scale industrial undertakings	-	-
- Others	<u>15,751.09</u>	<u>15,653.98</u>
	<b>15,751.09</b>	15,653.98
Unpaid dividends	162.39	154.90
Interest accrued but not due	4.88	1.03
Advances received from customers	2,018.74	2,119.45
Group share in current liabilities of joint venture	<u>1,163.99</u>	<u>1,195.06</u>
	<u><b>21,381.07</b></u>	<u>20,582.23</u>
<b>B. PROVISIONS</b>		
Provision for leave encashment	164.47	230.50
Proposed dividend	-	899.71
Taxation (net of payments)	<u>315.95</u>	<u>670.02</u>
	<u><b>480.42</b></u>	<u>1,800.23</u>
	<u><b>21,861.49</b></u>	<u>22,382.46</u>

Note : There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2007.

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

(Rupees in Lacs)

	<b>Year ended March 31, 2007</b>	Year ended March 31, 2006
Scrap Sales	125.17	137.15
Exchange difference (net)	-	97.12
Rent	311.33	276.15
Profit on sale of assets (net)	120.81	-
Doubtful debts recovered	34.54	-
Miscellaneous income	<u>232.34</u>	<u>277.75</u>
	<u><b>824.19</b></u>	<u>788.17</u>



## MANUFACTURING AND OTHER EXPENSES

## SCHEDULE - 11 (Rupees in Lacs)

	Year ended March 31, 2007	Year ended March 31, 2006
Raw materials and Intermediates consumed	44,240.97	40,015.81
Purchase of traded goods	-	133.27
Stores and spare parts consumed	2,549.30	3,251.93
Utilities consumed	844.40	842.00
Power and fuel	16,197.00	14,900.53
Payments to and provisions for employees		
Salaries and allowances	1,539.00	1,476.15
Contribution to Provident and other funds	108.09	169.71
Staff welfare	374.11	378.49
Travel and conveyance	216.05	214.30
Insurance	375.73	398.36
Rent	171.66	189.26
Rates and taxes	398.17	452.50
Repairs and maintenance		
Machinery	755.85	790.78
Buildings	111.33	79.73
Others	183.00	254.78
	<u>1,050.18</u>	<u>1,125.29</u>
Discounts	8,356.74	6,513.38
Commission	278.20	293.96
Freight	2,398.42	2,151.05
Directors' sitting fees	13.50	13.70
Provision for doubtful debts / advances	-	72.87
Exchange fluctuation (net)	193.24	0.03
Loss on sale/scraping of assets (net)	-	0.32
Legal and Professional charges	123.71	170.26
Miscellaneous expenses	976.71	978.90
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	275.10	(574.94)
(Increase) / Decrease in work in process and finished goods		
Opening 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>
Closing Stock		
Work in process	463.12	1,565.94
Finished goods	3,295.68	1,455.16
	<u>3,758.80</u>	<u>3,021.10</u>
Group share in joint venture	(737.70)	2,814.10
	0.73	1.36
	<u>79,943.31</u>	<u>76,025.15</u>

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

(Rupees in Lacs)

	<b>Year ended March 31, 2007</b>		<b>Year ended March 31, 2006</b>
Interest expenses			
- on fixed period loans	<b>1,444.98</b>	1,777.88	
- others	<b><u>1,331.32</u></b>	<u>756.07</u>	
	<b><u>2,776.30</u></b>		<u>2,533.95</u>
	<b>2,776.30</b>		2,533.95
Less : Interest income			
- On bank and intercorporate deposits	<b>448.00</b>	388.78	
- On others	<b><u>8.96</u></b>	<u>12.16</u>	
	<b><u>456.96</u></b>		<u>400.94</u>
	<b>2,319.34</b>		2,133.01
Less : Interest capitalised	<b><u>270.14</u></b>		<u>248.02</u>
	<b><u>2,049.20</u></b>		<u>1,884.99</u>

**SCHEDULE - 13**

**NOTES TO THE CONSOLIDATED ACCOUNTS OF TAMILNADU PETROPRODUCTS LIMITED  
FOR THE YEAR ENDED 31ST MARCH 2007**

- 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	Accounts drawn upto / whether audited
Certus Investment & Trading Limited	Subsidiary	Mauritius	100%	31.12.2006 Audited
Certus Investment and Trading(S) Private Limited	Subsidiary	Singapore	100%	31.12.2006 Audited
SPIC Electric Power Corporation Private Limited	Subsidiary	India	98.22%	31.03.2007 Audited
Leo Utility and Power Limited **	Subsidiary	India	95.00%	26.04.2006 Audited
TPL India Singapore Private Limited	Subsidiary	Singapore	100%	31.12.2006 Audited
Gulf Petroproduct Company E.C. *	Joint Venture	Kingdom of Bahrain	50.00%	31.12.2006 Audited
Petro Araldite Private Limited	Associate	India	24.00%	31.03.2007 Unaudited

\*\* Application filed during May 2006 with the Registrar of Companies to strike off the name of the company from the Register of Companies under Section 560 of the Companies Act, 1956.

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

In respect of Certus Investment & Trading Limited, Certus Investment & Trading (S) Private Limited and TPL India Singapore Private Limited, adjustments have been made for significant transactions for the period 01.01.2007 to 31.03.2007 based on information received from them. In respect of Gulf Petroproduct Company E.C. there are no significant transactions during the period 01.01.2007 to 31.03.2007.

## 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 vat ) and any directly attributable cost of bringing the assets to its working condition for its intended use. Certain assets have been revalued as on 31st March, 1996 and the resultant surplus has been added to the cost of the assets.

Depreciation is provided on a 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. The plant has been fully depreciated in the current year

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

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

### IV INVESTMENTS

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

### V INVENTORIES

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

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

During the current financial year the Company has obtained permission from Income Tax authorities for withdrawal of superannuation scheme for employees with effect from 1.4.2006 except for whole time directors of the Company.

Contribution to the superannuation scheme for wholetime directors 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 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. 9.63 lacs (Previous year Rs.10.58 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. 808.08 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, 2007	As at March 31, 2006
6 Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	29.83	1,068.39
7 <b>Contingent Liabilities</b>		
a) Bills discounted	513.14	1,625.91
b) Other claims not acknowledged as debts		
i) <b>Sales tax</b>	<b>8,798.18</b>	8,827.10
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). During the year, for assessment years 1994-95 and 1995-96, the matter has been remanded back to the Assessing Officer, for reverification of the records. The order of the Assessing Officer is awaited. 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. 978.15 lacs (Rs.1,007.07lacs). During the year, the Tribunal has remanded the matter back to Assessing Officer to verify the correctness and completeness of the transactions. The order of the Assessing Officer is awaited. In case the declarations are found to be not genuine the Company has recourse to only the existing customers for reimbursement.		
ii) <b>Excise duty</b>	<b>566.92</b>	695.60
iii) <b>Service Tax</b>	<b>67.85</b>	6.21
iv) <b>Income Tax</b>	<b>1,150.01</b>	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)

**8 Managerial Remuneration**

Wholetime Directors' remuneration\*  
 Contribution to provident and other funds  
 Directors' Sitting Fee

Year ending March 31, 2007	Year ending March 31, 2006
44.49	39.75
5.07	4.53
13.50	13.70
<b>63.06</b>	57.98

\* Rs. 10.94 lacs is subject to shareholders approval (previous year Rs. 5.18 lacs)

**9. Earnings per share**

(Rs.in Lacs)

	Year ended March 31, 2007	Year ended March 31, 2006
Profit/(Loss) after taxation	(687.27)	503.72
Weighted number of equity shares outstanding	89,971,474	89,971,474
Basic and diluted earnings per share (Face value - Rs.10/- per share)	(0.76)	0.56

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

## Related Party Transactions

The Company has identified all related parties and details of transactions are given below. Bad advances written off during the year for Rs.37.81 Lacs in respect of Leo Utility and Power Limited. Provision for doubtful advances has been created in earlier years for Rs.36.66 lacs in respect of Leo Utility and Power Limited. 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			2.50 (3.00)		
2	Sale of goods	35.75 (32.64)	8,219.07 (7,410.49)			
3	Service/Consultancy charges	8.92 (3.31)				
4	Commission	35.71 (59.23)				
5	Managerial remuneration				49.56 (44.28)	
6	Rent paid	1.81 (1.20)				
7	Reimbursement of expenses	23.37 (15.49)				
8	Sitting Fees	3.80 (3.80)				
9	Dividend Paid				0.01 (0.01)	0.01 (0.01)
	Southern Petrochemical Industries Corporation Limited (SPIC)	152.34 (152.34)				
	Tamilnadu Industrial Development Corporation Limited (TIDCO)	158.44 (158.44)				
10	Balance outstanding as of 31 <sup>st</sup> March 2007	16.53Cr (28.87)Dr	629.62Dr (839.46)Dr	158.37Dr (155.87)Dr	14.38Cr (13.80)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 2007, the company has investments of Rs. 2,764.50 lacs in SPIC Electric Power Corporation Private Limited (SEPC) made during the period 1995 to 2003 and advances against equity of Rs.28.72 lacs made during the financial years 2006 and 2007. 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 the process of entering into an MOU with a prospective investor for implementation of the project. In view of these developments, no provision in the value of investment and advance against equity is considered necessary at this stage.

12. During the year 2004, due to change in global market conditions for Normal Paraffin, the company decided not to proceed with the expansion of Normal paraffin capacity. 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. Nil (previous year Rs.87.04 lacs) and write back of provision for diminution in value of investments (net) of Rs. Nil (previous year provision of Rs.131.98 lacs)

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

	As at March 31, 2006	Tax effect for the Year	As at March 31, 2007
Deferred tax asset :			
Unabsorbed Depreciation	-	32.00	<b>32.00</b>
Accrued expenses deductible on payment	308.54	45.46	<b>354.00</b>
Provision for doubtful debts/Advances	88.86	(23.33)	<b>65.53</b>
Total	397.40	54.13	<b>451.53</b>
Deferred tax (liability):			
Fixed assets	(9,221.17)	383.19	<b>(8,837.98)</b>
Net deferred tax (liability)	(8,823.77)	437.32	<b>(8,386.45)</b>

15. Information disclosed in accordance with the Government of India, Department of Companies Affairs, Order No 47/361/2006-CL-III dated 22nd March, 2007

(Rupees in lacs)

Names of Subsidiaries

Particulars	Certus Investment & Trading Limited (includes its subsidiary, Certus Investment and Trading(S) Private Limited and TPL India Singapore Private Limited		Leo Utility and Power Limited	SPIC Electric Power Corporation Private Ltd.
	Rupees in Lacs *	In USD		
Capital	8,870.01	20,419,000	5.00	2,814.50
Reserves	429.36	988,389	-	-
Total assets	10,764.46	24,780,056	5.00	5,247.69
Total liabilities	10,764.46	24,780,056	5.00	5,247.69
Investments	186.79	430,000	-	-
Turnover (inc other income)	2,445.43	5,629,434	-	-
Profit before tax	298.91	688,110	-	-
Provision for taxation	8.34	19,190	-	-
Profit after tax	290.58	668,920	-	-
Proposed dividend	-	-	-	-

\* Translated at exchange rate prevailing as on 31.03.2007

1 USD = Rs. 43.44

- 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	2007			2006		
		Industrial Intermediate chemicals	Power	Total	Industrial Intermediate chemicals	Power	Total
a)	REVENUE						
	Sales to external customers	83,017.44	-	83,017.44	81,083.05	-	81,083.05
	Other income	512.86	-	512.86	512.02	-	512.02
	Total revenue	83,530.30	-	83,530.30	81,595.07	-	81,595.07
b)	RESULT						
	Segment result	275.31	-	275.31	1,701.50	-	1,701.50
	Interest expense	-	-	(2,506.16)	-	-	(2,285.93)
	Interest income	-	-	456.96	-	-	400.94
	Unallocated corporate income	-	-	311.33	-	-	276.15
	Income taxes including deferred tax	-	-	412.98	-	-	51.06
	Exceptional items	-	-	-	-	-	44.94
	Profit after tax	-	-	(1,049.58)	-	-	188.66
	Share of profit of Associate company	-	-	362.31	-	-	315.06
	Net Profit	-	-	(687.27)	-	-	503.72
c)	OTHER INFORMATION						
	Segment assets	77,589.30	5,247.69	82,836.99	83,420.95	4,920.34	88,341.29
	Unallocated corporate assets	-	-	7,300.61	-	-	7,062.26
	Total Assets	77,589.30	5,247.69	90,137.60	83,420.95	4,920.34	95,403.55
d)	Segment liabilities	40,494.11	2,404.46	42,898.57	43,477.95	2,100.94	45,578.89
	Unallocated corporate liabilities	-	-	9,800.84	-	-	10,891.12
	Total Liabilities	40,494.11	2,404.46	52,699.41	43,477.95	2,100.94	56,470.01
e)	Capital expenditure	2,244.43	-	2,244.43	1,121.68	0.50	1,122.18
	Depreciation	3,311.68	-	3,311.68	3,868.42	-	3,868.42
	Non-cash expenses other than depreciation	-	-	-	-	-	72.87
(B)	Information about Secondary business segment	2007			2006		
		India	Outside India	Total	India	Outside India	Total
	Segment revenue	77,295.73	6,234.57	83,530.30	72,065.67	9,529.40	81,595.07
	Segment assets	70,534.17	12,302.82	82,836.99	75,816.20	12,525.09	88,341.29
	Additions to fixed assets	2,244.43	-	2,244.43	1,122.18	-	1,122.18

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

For and on behalf of the Board

A C MUTHIAH  
S. SUSAI  
C. RAMACHANDRAN  
V. RAMANI  
RM. MUTHUKARUPPAN

Vice Chairman  
Director  
Director  
Director & CFO  
Managing Director & COO

M.B. GANESH  
Secretary

Place : Chennai  
Date : 10<sup>th</sup> May 2007